

Parliamentary Motion of Alliance 90/The Greens

Presented by Members of Parliament Ute Koczy, Thilo Hoppe, Undine Kurth (Quedlinburg), Dr. Reinhard Loske, Hans-Christian Ströbele, Hans-Josef Fell, Ulrike Höfken, Bärbel Höhn, Dr. Anton Hofreiter, Sylvia Kotting-Uhl, Claudia Roth (Augsburg), Christine Scheel, Dr. Gerhard Schick, Margareta Wolf (Frankfurt) and the Green Group in the German Bundestag

In favour of strong social and environmental standards in the World Bank's International Finance Corporation (IFC)

The International Finance Corporation is responsible within the World Bank Group for cooperation with the private sector. Promotion of the private sector has gained increasing importance within the World Bank Group over the last few years. IFC projects already account for one quarter of World Bank funds paid out. In 2004, the IFC invested \$23.5bn in developing countries and newly industrialised countries. These investments flow into a variety of sectors, for instance into infrastructure projects, or into projects for the extraction of oil, gas and mineral reserves. Many of these projects have major economic potential. At the same time, however, they often also bring negative consequences for the environment and population.

Like the World Bank as a whole, the IFC is committed to the overarching goals of poverty alleviation and sustainable development. In order to ensure that projects financed by the World Bank Group really do contribute to these aims and to an improvement in the population's living conditions, the World Bank Group has, since the mid-80s, had so-called "Safeguard Policies", or standards, in the environmental and social fields. The standards applied by the IFC in its project financing have so far been almost identical to those of the World Bank Group. There are ten of these standards which have to be applied before decisions on granting financing are made, regarding planned forced resettlement or projects which disturb the woodland eco-system, for example.

The IFC is important not only because of the volume of finances concerned. Its social and environmental guidelines have so far been regarded as ambitious and important instruments in development cooperation. Thus, other institutions, such as regional development banks and export credit agencies, use the IFC standards as a benchmark. A total of 35 private banks have adopted the "equator principles", committing themselves to upholding environmental and social standards based on those of the IFC. The "Equator Banks" together provide more than 75 percent of global international project funding.

The fact that private banks and institutions use the IFC standards as a benchmark means that binding rules exist for all competitors. This means that a "race to the bottom", with the lowest possible standards being applied, can be prevented.

The International Finance Corporation is currently revising its standards. A comprehensive revision of these standards has been called for from a number of sides. In 2004, an independent team of experts presented a report on the World Bank's policy on raw materials - the "Extractive Industries Review". This report recommended that the World Bank reform and implement more effectively its environmental and social standards. The report highlighted a number of deficits in the extractive industries sector in particular, in which mainly private companies are involved. The report stressed that this area was particularly prone to corruption, meaning that the projects financed seldom actually benefited the development of the population. The report therefore recommended making good corporate and public governance, together with respect for human rights, a requirement for funding for firms and governments.

In its reaction to the Extractive Industries Review in September 2004, the World Bank promised to make improvements in response to the main criticisms in the framework of the planned revision of social and environmental standards. Moreover, it is not only those affected together with NGOs who have criticised the lack of development focus in IFC-financed projects. The annual report issued in 2005 by the International Finance Corporation, for instance, reaches the conclusion that, from 2001 to 2003, only 59% of projects approved contributed to development. Although this proportion was rising in general, the improvement of social, environmental and health aspects had been lower than that of other aspects.

In internal assessments too, the conclusion was reached that the current IFC standards were not meeting the expectations made of them. The revision was set in motion by a report issued by the Compliance Advisor/Ombudsman (CAO), whose tasks included monitoring compliance with the existing standards.

In the past, private companies have criticised the fact that the social and environmental guidelines set out by the World Bank were not always suitable to be applied in practice. The strict catalogue of criteria which had to be assessed for each project was seen as leading to considerable losses of time and flexibility for competitors and thus as inappropriate. It was argued that a streamlining and acceleration of the assessment process was needed.

We welcome the revision of the IFC's social and environmental guidelines. A coherent catalogue of such standards is needed in order to give concrete and credible shape to the International Finance Corporation's commitment to development. Against the background of other current endeavours in the fight against poverty in the world, such as the Millennium Development Goals, the World Bank Group's contribution as a development bank is also vital. As the World Bank's third largest shareholder, the Federal Government carries considerable weight in opinion-forming processes within the World Bank and must use its position to ensure a stronger focus on social and environmental issues in the future.

In view of the importance of the International Finance Corporation, the revision of the social and environmental standards is likely to have a wide-reaching impact, as institutions and stakeholders will continue to use the IFC safeguards as a benchmark. We view the revision of the standards in the area of extractive industries policy as a particularly good opportunity for the IFC to take decisions setting the course for the future and ensure that the extraction of raw materials truly does benefit the development of the population. In September 2004, the World Bank, in its management response to the Extractive Industries Review, stated that, in its revision of the

standards, it would also anchor improved protection of biodiversity and ecosystems. We support this approach; after all, for the poorer communities in particular, the destruction of the environment and of biodiversity also means the destruction of the basis of their livelihoods. We welcome the fact that other development banks also recognise this link. The Asian Development Bank, for instance, is currently introducing stricter environmental safeguards to preserve biodiversity and the World Bank is planning to increase its focus on promoting local environmental organisations in future.

We support the approach pursued so far by the World Bank, guaranteeing particular protection to indigenous peoples. This approach is based on recognition of the fact that forced resettlement is highly likely to lead to impoverishment of those resettled and to the loss of their culture. The Federal Ministry for Economic Cooperation and Development therefore correctly pointed out, in its sectoral concept on “Forest and Sustainable Use” that support should only be given to measures which do not adversely affect the land rights and land use rights of the indigenous local inhabitants.

We call on the Federal Government

in its dialogue with the World Bank, to seek to ensure:

1. that, in future too, the well-being of the affected population and the real benefit to this population are given absolute priority in the financing of projects by the International Finance Corporation. The IFC must make a greater contribution than in the past to the development process in the partner countries through the projects it finances. This means that the environmental and social standards must on no account be watered down, but must be retained at their current level at least.
2. that binding social and environmental standards apply to all of the World Bank Group.
3. that explicit reference is made to relevant international agreements and conventions, such as, for example, the core labour standards of the International Labour Organisation (ILO) and to multilateral environmental agreements. In this way, a contribution can also be made to reinforcing international law.
4. that fair competition on the market is guaranteed through precisely worded, strong and binding standards. In addition, a reliable and objective body for dealing with complaints and reviewing decisions must exist, able to issue sanctions where the standards are not upheld.
5. that the independence of information crucial to decisions on projects be safeguarded. In order for the necessary objectivity to be maintained and for the requirements for implementation contained in the standards to be met, it is particularly important for the environmental impact assessments carried out by clients also to be subject to independent review.

6. that the recommendations contained in the Extractive Industries Review be implemented. In particular, clear criteria to judge good corporate governance must be developed and these, together with respect for human rights, must be applied in decisions on funding of raw materials projects.

7. that measures are taken to make sure that the local population also truly benefits from the projects financed. In order to prevent abuses and siphoning-off of revenue due to corruption, it must be clear before the IFC grants funding how revenue from raw materials projects is to be dealt with. In addition, the IFC must, in line with the recommendations of the Extractive Industries Review, adapt its portfolio to concentrate more strongly on providing financing for renewable energies.

8. that the IFC takes up and implements the recommendations contained in the Extractive Industries Review concerning greater transparency and the way in which relevant documents and assessment reports are dealt with.

9. that the IFC, in its revised version of the standards, goes beyond the principles which have applied in the past by, for example, ruling out the possibility of supporting genetic engineering projects in the agricultural field.

10. that, in order to increase acceptance of IFC projects in society, affected populations are involved from the early stages of project planning, in order to achieve, wherever possible, “free prior informed consent”.

11. that financing by the IFC of raw materials projects in ecosystems which are particularly vulnerable, or those with a particularly high conservation value, can be ruled out through the identification of “no-go zones”.

12. that the IFC’s social and environmental standards continue to afford particular protection to indigenous peoples. People who are forcibly resettled should, at least, be guaranteed equal or better living conditions. In cases of forced resettlement, compensation should also be paid to those inhabitants who are unable to produce an actual title to the land, but whose livelihood has traditionally depended on using the land to be confiscated. Other communities adversely affected by the project concerned must also be adequately compensated.