



**Friends of  
the Earth  
International**

## **Alleviating Poverty? The Development Impacts of World Bank Support of Fossil Fuel and Mining**

The World Bank promotes fossil fuel and mineral extraction as a way to generate economic growth and alleviate poverty in developing countries.<sup>1</sup> However, there is considerable evidence that reliance upon resource extraction may actually hamper economic growth, and does not offer much in the way of poverty alleviation or other development benefits. For example, the World Bank’s own researchers recently conceded that “countries with substantial incomes from mining performed less well than countries with less income from mining.”<sup>2</sup> Other research has found that oil and mineral dependence is strongly associated with unusually bad conditions for the poor, including lower performance on a wide array of human development indicators.<sup>3</sup>

These findings raise serious questions regarding whether fossil fuel and mineral development can be reconciled with the World Bank’s objectives of reducing poverty and improving living standards in the developing world.

### **“The Resource Curse”**

Economists have noted a paradox in the economic performance of resource dependent countries—countries that are blessed with abundant natural resources tend to grow more slowly than countries without such wealth. This phenomenon, known as “the resource curse,” has been observed in comparative studies of growth, and has been recognized as a “recurring motif of economic history.”<sup>4</sup> Most notably, a comparative analysis of growth in ninety-seven countries by Harvard economists Jeffrey Sachs and Andrew Warner found that countries with a high ratio of natural resource-based exports to Gross Domestic Product (GDP) tended to grow more slowly than countries with less resource intensive economies.<sup>5</sup>

### **Lower Human Development Indicators**

Countries that rely heavily on fossil fuel and mineral exports also do a worse job of addressing the needs of the poor. According to Oxfam America, countries with large extractive industries have lower standards of living than they should given their per capita incomes. They also have exceptionally high rates of child mortality and low life expectancy. Mineral dependant countries tend to have higher poverty rates, and higher rates of income inequality. Oil dependent countries tend to have higher rates of child malnutrition, lower spending levels on health care, lower rates of school enrollment, and lower rates of adult literacy.<sup>6</sup>

## Recommendations

In light of the lamentable track record of extractive intensive development in promoting economic growth and alleviating poverty, the World Bank must radically rethink its investments in these sectors. Friends of the Earth International is calling for **an immediate moratorium on, and subsequent phase-out** of all financing for fossil fuel and mining projects. Instead, the Bank should shift its investments into sectors that will deliver more direct poverty alleviation benefits, improve standards of living, and achieve more equitable and sustainable forms of growth.

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<sup>1</sup> “The World Bank Group recognizes the potential embedded in a country's mineral sector to significantly influence regional and national economic and poverty profiles.”  
<http://www.worldbank.org/mining/about/about.html>.

<sup>2</sup> World Bank Global Mining Department, *Treasure or Trouble? Mining in Developing Countries*, at 7 (World Bank Group, March 2002).

<sup>3</sup> Michael L. Ross. *Extractive Sectors and the Poor*, (Oxfam America, October 2001).

<sup>4</sup> Jeffrey D. Sachs and Andrew M. Warner, *Natural Resource Abundance and Economic Growth*, (Harvard University, Nov. 1997).

<sup>5</sup> *Id.*, at 2.

<sup>6</sup> Ross, *supra*.