



International
Institute for
Environment and
Development

Final Report

Mining, Minerals and Sustainable Development

**The Results of a Scoping Project for the
World Business Council for Sustainable Development
26 October 1999**

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1. Introduction

1.1. The Scoping Project

This report presents the results of the scoping project undertaken by the International Institute for Environment and Development (IIED) for the World Business Council for Sustainable Development (WBCSD). The project was commissioned by the WBCSD on behalf of a leadership group of nine leading mining companies. The main aims of the scoping project were threefold:

- First, to set out the global challenge of sustainable development facing the mining industry;
- Second, to propose the scope of a two-year process of participatory analysis to explore the role of mining in the transition to sustainable development; and
- Third, to suggest a structure and budget for carrying this out.

To fulfill these aims, IIED carried out a review of existing initiatives and materials and consulted widely with a range of stakeholders. The rest of this report lays out IIED's findings and its proposal for a new project. This project would form an integral part of a wider package of activities culminating at the time of the Earth Summit+10 in 2002.

1.2. The Global Challenge of Sustainable Development

Across the world, the mining industry is being shaped by a number of powerful trends as it enters the new millennium. Perhaps none is more challenging than that of sustainable development. Like democracy, sustainable development is difficult to define, and is best seen as a broad aspirational goal, that has now been endorsed by governments, business and civil society. Rather than focusing on economic growth in isolation, sustainable development requires the integration of the social, economic and environmental dimensions in corporate and public decision-making, within a governance framework that ensures full participation and accountability. While social and environmental performance is improving in some instances, the long-term role of mining and minerals in a sustainable economy is by no means clear to all. Rising public expectations, regulatory requirements and market pressures all now mean that the mining industry needs to reassess its strategic goals and operational practices so that it makes the greatest contribution possible to the global transition to sustainable development.

Many initiatives are underway that address aspects of this sustainable development agenda. Leading companies are implementing policies for the environment, community development, human rights and, in some cases, sustainable development. Industry associations are also introducing charters and codes of best practice. Investors and consumers are demanding higher social and environmental performance along the product chain. Governments are rethinking the framework of mining law and environmental regulations for mining and minerals usage. Citizen organisations are pressing for a better sharing of benefits, greater respect for local communities and their land rights, enhanced accountability and improved environmental performance. And the research community is generating new ways of understanding the complexities of the mining and sustainable development agenda, and introducing these into education and training.

Taken together, however, these actions lack the critical mass required to achieve the shift in performance that is clearly required. In some cases, the work may be under-resourced; other initiatives may lack high-level commitment; and very few initiatives to date have been

conducted in the spirit of partnership, bringing together different - sometimes conflicting - interests.

Looking ahead, seven critical sustainable development bottlenecks have emerged during the course of our work where such movement is required:

1. **Trust:** Past practices combined with continuing examples of poor performance and inadequate accountability have undermined trust between companies, governments and society at large. This is the greatest challenge of all.
2. **Vision:** There is no clear vision either within industry, government, civil society or across these groups of the contribution that the mining and minerals' system could make to sustainable development.
3. **Capacity:** Across the world, companies, governments and civil society often lack the skills, resources and institutional culture to realise their emerging sustainable development objectives.
4. **Boundaries of Responsibility:** There is little clarity or consistency in the ways in which responsibility for mining and sustainable development is either understood or shared locally, nationally and globally.
5. **Standards and Benchmarks:** Sustainable development has yet to be translated into operational standards and benchmarks for communities, consumers, companies and countries.
6. **Time Horizons:** There is little agreement on how to deal with the legacy of past mining operations, the future effects of today's activities, or how to plan ahead to ensure sustainable development.
7. **Knowledge:** The knowledge base to underpin informed and accountable decision-making is often patchy and incomplete.

1.3. The Proposal

As a result, the scoping project has demonstrated to IIED that the time is now ripe for a new initiative that aims to achieve real breakthroughs. To take up this challenge, IIED proposes that the mining companies that form the leadership group invite the WBCSD to launch a two-year process of participatory analysis to assess the sustainable development challenges facing mining and minerals and design strategies for action. This new venture could be provisionally called the Mining, Minerals & Sustainable Development project (MMSD).

Critical to the success of this project would be to secure the early involvement of key stakeholders and to establish a partnership approach to the work programme. Bringing stakeholders inside the project will be critical not only to better define the issues at stake, but also to ensure that the results have credibility and weight. Such a partnership would be unique worldwide in the history of mining, environmental and social decision-making, and could go a long way to putting in place the platform required for mining and minerals to contribute to sustainable development.

2. The Scope

The global scale of mining, its complexity and the range of issues that fall under the sustainable development umbrella make it critical to be clear in setting out the scope of the new project. Five key questions can help to guide this exercise:

- What are the desired **objectives and outcomes** ?
- Which **stakeholders** should be involved ?
- What **issues** should be tackled ?
- Which **minerals** should be covered and in which **countries** ?
- Which parts of the **life cycle** should be assessed ?

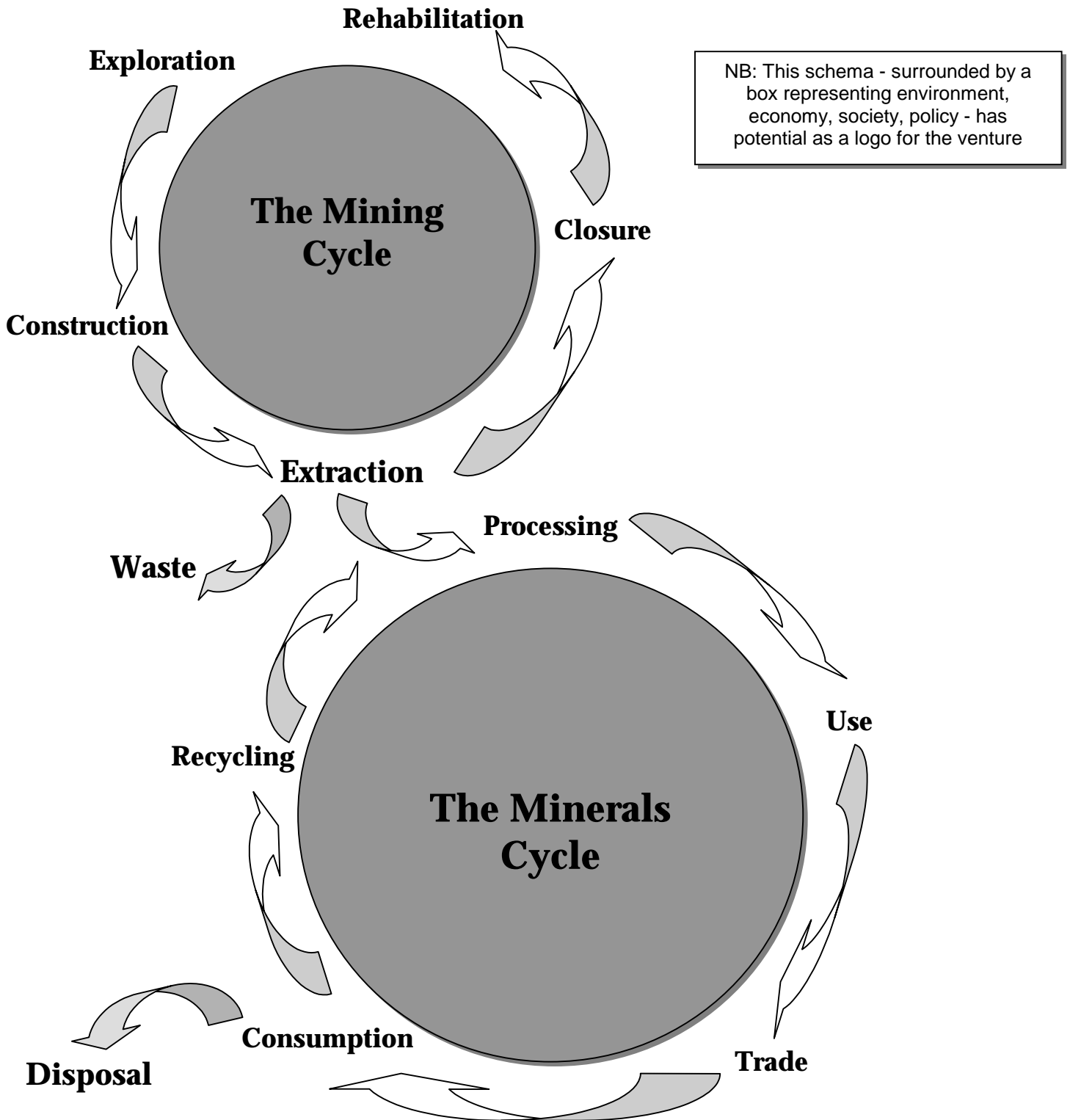
Our conclusion is that, in the beginning, as many as possible key stakeholders involved in the minerals' system should be invited to play a part in the design and scope-setting process. In particular, the project should be all-inclusive, since nothing else to date has been, seeking to synchronise the overall minerals' system with the goals of sustainable development.

2.1. Key Lessons

Four key lessons have emerged during the Scoping Project that suggest broad strategic answers to some of these questions:

1. **A Systems' Approach:** Our terms of reference focused on the linkages between mining and sustainable development, but we have found it impossible to address these dynamics in isolation from other stages of the minerals' life cycle. A systems' approach is required that tackles both the mining cycle from exploration to rehabilitation and the broader minerals' cycle from processing through use to recycling and disposal. To bring this emphasis on the life cycle to the forefront, we have opted to refer to the minerals' system, illustrated in Figure 1.
2. **A Partnership Approach:** Our brief was to develop an initiative for the business community. However, it is clear that the situation requires a more broad-based initiative. A solely business-led venture would probably fail to win support and have sufficient independence to deliver the breakthroughs that are needed. The structure and governance of the new project emerged as perhaps the most sensitive issue, and we have proposed a framework that seeks to achieve the goals of integrity, accountability and effectiveness.
3. **Beyond a Study:** We were also tasked with preparing a plan for a 'study' of mining and sustainable development. Again, we have found that the situation requires a more active and hands-on approach than the term 'study' implies. What appears to be needed is a process that combines independent analysis with the building of consensus between often conflicting stakeholders on what are the priority issues and what could be concrete ways forward.
4. **An Ethic of Cooperation:** And finally, we were asked to design a plan for a new initiative. While we conclude that there is a strong rationale for a new venture, it is clear that this should build on existing activities. This focus on a cooperative approach is needed both in regard to ongoing research activities (for example, within the Mining and Environment Research Network), corporate initiatives (such as International Council on Metals and the Environment) and policy work (for example, by the World Bank and the UN). It is important that the new venture adds value and does not detract from existing efforts.

Figure1: The Minerals' System



2.2. Guiding Principles

For these reasons, we believe that the new project will need to be guided by a set of operating principles that all subscribe to. The project should strive to be:

- **Strategic:** addressing long-term issues, including past inheritances and future challenges;
- **Global:** understanding issues across the world in different locations, both in the developed and developing worlds;
- **Balanced:** tackling issues of environment and development equally, and ensuring that the needs and priorities of developing countries are fully represented;
- **Comprehensive:** tackling the full range of minerals across the world's regions and taking a life cycle perspective to the costs and benefits of minerals development and use;
- **Inclusive:** involving a range of representative stakeholders (including grassroots organisations) in its design, implementation and governance;
- **Reinforcing:** consolidating existing work and adding to the capacity, knowledge and desire for change;
- **Professional:** driven by the pursuit of excellence and the highest quality of analysis, consultation, communication and management;
- **Realistic:** recognising the complexity of the mining and minerals arena, the local specificity of many problems and the limits to what can be achieved in a given timeframe; and
- **Action-oriented:** seeking ways in which what could be 'just another talking shop' becomes an engine of practical change.

For the project itself, these principles will need to be transformed early into clear 'rules of the game' that ensure its integrity for to all stakeholders.

2.3. Objectives

On this basis, we propose that the objectives of the new project could be fourfold:

- *First, to assess global mining and minerals use in terms of the transition to sustainable development. This would cover the current contribution -- both positive and negative -- to economic prosperity, human well-being, ecosystem health and accountable decision-making, and the track record of past practice;*
- *Second, to identify how the services provided by the minerals' system can be delivered in accordance with sustainable development in the future;*
- *Third, to propose key elements for follow-up on how to improve the minerals system; and*
- *Fourth -- and crucial for long-term impact -- to build a platform of analysis and engagement for ongoing cooperation and networking between all stakeholders.*

2.4. Critical Themes

Sustainable development is commonly viewed as a strategic objective for the global community which sits on three pillars:

- **Economy:** the creation of wealth and livelihoods;
- **Society:** the elimination of poverty and the improvement of quality of life; and
- **Environment:** the enhancement of natural resources for future generations.

Increasingly, it is recognised that achieving these triple objectives is essentially a task of transforming *governance* – in the public sector, private sector and society more broadly – to achieve a more balanced and integrated approach to development. As a result, we have set out our 21 critical themes facing mining and minerals under these four headings. Underlying this rich list of themes are two overriding imperatives: improving the contribution mining and minerals development makes to eliminating poverty across the developing world; and ensuring that the costs and benefits of change are fairly spread, both within and between generations.

As the project progresses and priorities are chosen, it will become clear that the themes, minerals and regional priorities will be addressed at different levels of resolution – some in-depth and others in a more generic way. This is not a recipe for excluding controversial topics, but recognition of the need for focus and practical outputs.

Economy

- 1) **Market Dynamics:** How does the global market for minerals constrain or enable the transition to sustainable development, notably in terms of the commodity price cycle, economies of scale and the globalisation of trade and investment ?
- 2) **Corporate Responsibility:** How can sustainable development become embedded in the culture of mining companies, and how far should corporate policies for sustainable development extend to joint venture operations, subcontractors and the supply chain ?
- 3) **Financial Drivers:** How far will financial pressures, risk management and transnational liability become drivers of sustainable development ?
- 4) **Scale and Ownership:** How far does scale and ownership affect the performance of different mining actors, in particular the artisanal sector and the various 'junior' players ?
- 5) **Access to Markets:** How can the terms under which minerals have access to markets – both in terms of consumer choice and regulatory action – better reflect the goals of sustainable development ?
- 6) **Technological Innovation:** How can research and technological innovation be accelerated to deliver solutions to today's problems without generating new risks -- and how can these cleaner technologies best be diffused globally ?

Society

- 7) **Human Rights:** What is the contribution that minerals' development can make to the promotion of human rights in the workplace and in the local community, in particular the specific rights and traditions of indigenous peoples ?
- 8) **Community Empowerment:** What are the critical factors that enable communities to play an effective role in mining developments that affect them (eg decision-making, benefit sharing) so that livelihoods become sustainable, particularly after closure ?
- 9) **Health and Safety:** How can a more transparent and honest process of risk assessment and reduction for workers, communities and consumers be achieved, alongside the positive promotion of well-being ?

Environment

- 10) **Material Flows:** What is the global impact in terms of material flows generated by mining and minerals and where does best practice exist in terms of closing the minerals' cycle to encourage recycling and reduce dissipative use and waste and reducing energy intensity?
- 11) **Benchmarks:** How can global benchmarks for environmental management be set (eg for riverine and marine disposal of tailings, effluent control, acid mine drainage, biodiversity, mine-site rehabilitation) to ensure consistency ?
- 12) **End-Use:** What processes are available for resolving controversial end-uses of minerals (eg coal, lead, uranium) and for improving efficiency in consumption ?

- 13) **Finite Nature of Minerals:** How serious is the finite supply of minerals as an environmental issue, both at the level of the individual mine and globally ?
- 14) **Competing Land-Uses:** Under what circumstances should cultural or environmental factors override access to minerals ('no go' areas) ?

Governance

- 15) **Historical Legacy:** What approaches have been successful in dealing with the inherited liabilities of mining (including abandoned sites) and avoiding these in the future ?
- 16) **Rent Capture and Distribution:** Are there working models of best practice for efficient and equitable capture and distribution of mineral rents between host countries, local communities and investors ?
- 17) **Regulation:** How can regulation be better designed and enforced to ensure sustainable development, particularly to control 'free riders' and remove 'perverse subsidies' ?
- 18) **Secondary Impacts:** How can integrated regional planning best be carried out to assess and manage the secondary social, economic and environmental impacts of new mining operations ?
- 19) **Transparency:** How can all actors be made more accountable for their decisions, for example, in order to reduce opportunities for corruption ?
- 20) **Stakeholder Participation:** How can relevant stakeholder participation in decision-making be improved locally, nationally and globally and lead to effective partnerships ?
- 21) **Time Horizons:** How can the longer-term perspective of sustainable development best be integrated into decision-making on mining and minerals ?

This list is indicative and represents a starting agenda for discussion. The project should be open to amending its issue scope in light of contributions from other key stakeholders. During the first phase of the project, there will be a need to prioritise in order to fix the work programme for analysis and sub-studies. The danger is that if this is done too soon, the project risks being too narrow. If the choice is made without stakeholder involvement, it could be seen as industry-driven and even irrelevant. IIED is strongly of the opinion that the project should start wide and narrow down as it gains the trust of key stakeholders. For example, many might agree that addressing the far-reaching issues concerned with the use of uranium or coal is a step too far for the initiative at the outset. But simply to rule them out without a clear set of reasons and discussion would be counterproductive.

2.5. Outputs and Outcomes

The work undertaken during the course of the proposed project would produce a range of concrete products, notably a series of sub-studies and interim reports, culminating in a final public report in 2002. All these would be geared towards achieving changes in both *understanding* and *behaviour*, in particular through:

- Building **trust** between stakeholders through a fuller understanding of positions and perceptions.

- Developing a clear **vision** of the role mining and minerals could play in a sustainable future.
- Identifying **key standards and benchmarks** for the mining and minerals' industries' contribution to sustainable development
- Contributing to improved **decision-making** by identifying where policy and operational changes are required;
- Highlighting **areas of agreement** and focusing attention on continuing contention;
- Stimulating greater **transparency** in minerals development;
- Encouraging **innovation** by recognising success and highlighting poor performance;
- Enhancing the **commitment** for change;
- Facilitating **continuous learning** on the part of all stakeholders; and
- Encouraging new **partnerships** to assist in future activities.

In essence, we see the exercise as a two-year process to build a trusted platform of participative analysis leading to concrete results by the Earth Summit+10 in 2002 and, hopefully, a set of onward processes thereafter. It will seek to identify where issues can be resolved and point to where irreconcilable differences remain. In effect, the aspiration would be to achieve results in the short term that would have ramifications for 10 to 20 years thereafter through the follow-up of the proposed elements for an action plan.

For the industry itself, the project would lead to the following outcomes:

- Defining the **positive contribution** that the mining and minerals' industry will play in the transition to sustainable development;
- Identifying a **sharper focus** for future efforts by the industry to improve environmental and social performance;
- Pinpointing key **points of convergence** on public policy issues between the industry and its stakeholders;
- Assisting the mining and minerals' industry to position itself at the **leading edge** of environmentally and socially responsible business;
- Helping the mining and minerals' industry to **contribute positively to international processes** such as the UN's Global Compact etc.

3. Governance

The scale of the proposed project and stakeholder sensitivities demands that the governance structure is beyond doubt. The issue has taken up much discussion and debate in the design stage.

There are three critical objectives that have to be fulfilled:

- **Integrity:** The structure must inspire the confidence of as many stakeholders as possible and encourage their participation. The integrity and independence of the process needs to be secure. This requires an open process.
- **Accountability:** The contractual and management relations have to ensure that the initiative is accountable to the sponsors and the wider community. This requires clarity and transparency.
- **Effectiveness:** The overall result must be practical and workable.

In essence, if the process is considered to be under the control of one group then the initiative will fail.

To fulfill these three objectives, we propose the following steps for establishing the project and for its overall structure.

3.1. Project Establishment

- The leadership group is the initiator of the project. Many are members of the WBCSD.
- The WBCSD is invited, on behalf of the leadership group, to commission the project. The WBCSD is asked to do this on the basis of clear criteria from the leadership group based on this report. These criteria will cover scope, budget and management. The WBCSD secretariat then acts as the agent of its members throughout the process, reporting to such groups of them as are deemed appropriate.
- The leadership group sets out what they intend to contribute to the project and what they want it to achieve. They make suggestions for managing the process. They should specify the issues to be covered in outline and request that a full methodology and work plan is prepared.
- The WBCSD should then recruit the various actors and set about raising the finance needed over and above that offered by the corporate partners. Out of a total estimated budget of \$5 million, a ratio of 60:40 is suggested for corporate and other sponsorship (for more details see Section 5, page 15).
- The WBCSD should appoint an overall coordinator to act as the senior executive of the project. S/he would be held responsible for the project overall, would facilitate the smooth working of the process throughout and ensure everything was done to make it a success. Such a person would be under contract to the WBCSD; the terms of this contract are yet to be established. It is strongly recommended that this person has experience of similar processes and is seen to be independent of the corporate sponsors.

3.2. The Governance Structure

IIED proposes that three main groups are put in place by the WBCSD to implement the project: a Sponsoring Group, a Work Group and an Assurance Group. The WBCSD would commission these groups to carry out different tasks, specified in set of terms of reference (see Appendix A).

- **The Sponsoring Group**, convened by the WBCSD, would be drawn from those organisations supporting and financing the project, and would act as the project's investors. The aim would be to make this a broad-based group, bringing together business, governments, international institutions and leading non-governmental organisations. The key responsibility of this group would be overall *project stewardship and supervision* – raising finance, approving the budget and work programme, exercising budgetary control and supervising the conduct of the project. It would set out to achieve a funding ratio of 60:40 corporate: non-corporate from its members. The Sponsoring Group would be the recipients of its outputs, and they would be in a position to endorse its findings in whole or in part, jointly and severally.
- **The Work Group** would plan, budget for and execute the project. Its key responsibility would therefore be *project implementation*. The work group would consist of a lead agency that would employ a project director and a consortium of policy institutes, research centres and relevant agencies as needed by way of subcontracts. The aim would be to build a partnership approach to the work. The work content and methods would be drawn up with the assistance of the assurance group and the partners. The Work Group must carry out its work objectively and independently. The intellectual property of the project would belong to the Work Group. It would report to the WBCSD and the sponsoring group via the coordinator. In extremis, the Work Group would be able to publish independently, provided contractual conditions relating to performance had been met.¹
- **The Assurance Group** would be made up of recognised individuals from key stakeholder groups. Its key responsibility would be *project assurance*, guaranteeing the quality and integrity of the work by way of peer review. It would be asked to oversee the content, conduct and design of the project, and would provide regular advice to the work group. It would report to the WBCSD via the coordinator.

We recommend that all contracts and terms of reference would be made public, save for matters of remuneration.

¹ These would include inter alia:

- an open process in which all relevant views are considered;
- all disputed matters of fact are represented in a balanced way;
- no party is misrepresented.

4. Process and Timelines

4.1. Getting the Process Right

It is critical that the process is got right from the outset. Multi-stakeholder processes of the sort envisaged for the new project on mining, minerals and sustainable development are likely to work well when:

- The process is inclusive and all those with an interest are invited to participate at an early stage;
- Everyone involved is committed to the vision and the process;
- All groups feel that they have equal influence in the process;
- There is continuity in the process and in the representation from each group;
- The process is independently facilitated;
- Agreements made as a group are honoured until the end of the process;
- There is clarity at the outset on how the outcomes will be followed up;
- The process is independent and is seen to be independent.

Problems are likely to arise if:

- There are conflicting expectations about the purpose and outcomes of the process;
- Unrealistic deadlines are set;
- Lines of accountability and decision making processes are not transparent; and
- One type of stakeholder is felt to have more control or influence than the others.

For the MMSD project, trust will need to be built before finally deciding on the final process. In particular, it is important that the early stages of the project are as flexible as possible and that decisions are not rushed. One additional concern is to ensure that the process does not become dominated by people from industrialised countries who have the resources and contacts to participate in international events. Special efforts will be needed to draw in the experience of developing country stakeholders.

4.2. Phasing the Project

The following is an indicative timeline for a four-phase process concluding in 2002.

Phase 1: Start-Up (October 1999 – May 2000)

Following a decision to go ahead with the new project, there would be an intensive period of work to:

- Attract organisations to the Sponsorship Group and raising additional finance
- Build up the multi-stakeholder Assurance Group
- Create the core of the Work Group, including appointing the lead agency.
- Develop a draft project plan and budget, including a communications strategy
- Build credibility with stakeholders

The intention would be to ensure that the project could be formally launched in late January/early February 2000 at or immediately after the World Economic Forum in Davos.

The Sponsoring Group would play a particularly active role in this start-up phase, developing a common understanding amongst themselves and bringing other key players on board. The phase would close with a stakeholder dialogue meeting hosted by the Work Group with potential members of the Assurance Group to agree on the overall vision and process, and

advise on the draft work plan and expected outcomes. We see this meeting as a major turning point for the project. There will be between 20 to 25 persons from the stakeholder groups and 10 to 15 from the Work Group and Sponsors. The preparations for the meeting and the meeting itself would need to be facilitated by those expert in stakeholder dialogues.

A detailed project plan would then be submitted to the Sponsoring Group for approval, finalising issues of governance, finance, scope and objectives, process and work programme. The first formal meeting of the Sponsoring Group would mark the end of this phase.

It is important that this stage is not rushed, as it will determine the integrity and effectiveness of subsequent steps – particularly in terms of getting the right people involved in the Sponsoring, Assurance and Work Groups and most importantly those in the field.

Phase 2: Operational (May 2000 – September 2001)

From May 2000 to October 2001, the focus will be on carrying out the agreed work programme. We see three main tracks:

- **Analytical:** commissioned research to address the chosen themes;
- **Engagement:** stakeholder roundtable exercises at the local, regional and/or national levels in selected countries; and
- **Corporate:** a process of engagement to link the project to a learning exercise in the sponsoring companies.

This process would be supported by advice of the Assurance Group, the identification of a documentation centre on mining, minerals and sustainable development to bring together the wealth of published and 'grey' literature on the subject, along with an active website and communications policy. This phase would close with the presentation of a set of draft results and provisional elements for the action plan at a second Sponsor Group meeting.

Phase 3: Results and Resolution (October-December 2001)

This phase would focus on refining the draft results through a process of peer review within the Assurance Group and a resolution of the responses of the various actors involved to the proposals for future action. We would anticipate that the corporations would be very active in this phase.

Phase 4: Launch (Jan-June 2002)

The final report of the project and the elements for action plan would then be completed. This could then be presented at a high-level conference – another element of the overall industry initiative.

5. Budget

Although, the scoping team has found it difficult to work up a budget for this project, it is possible to suggest the potential scale of the operation and the organisation of the budgeting process that will be needed.

IIED has broken down the budget to cover the core costs of the overall project structure, essentially covering the operation of the three key project groups, and a fund to cover the variable research and meeting costs.

5.1. Core Costs

The Sponsoring Group: The direct and the servicing costs of the Sponsoring Group will need to include a secretariat function for organisation and communications purposes. This will be the WBCSD budget. In general, we assume that the costs will be born by each of the corporations/organisations involved.

The Assurance Group: The cost of convening and then servicing the group will be a core cost of the project. The cost depends entirely on the size and the extent to which the members require a fee to take part. Some will certainly come cost free to the project, but for budgeting purposes we assume that there will be 20 members who need support. They will need to spend up to 15 days on the job and to travel on up to four occasions. They will also need to be serviced. An indicative budget would be as follows:

Fees	20 times \$800 times 15 =	\$ 240,000
Expenses	20 times \$2500 times 4 =	\$ 200,000
Incidental costs		\$ 60,000
		=====
<i>Total</i>		\$ 500,000

The Core Work Group: IIED has estimated that up to six professional years per year (spread over ten people) for 18 months, a support staff of three could be required, along with travel and communications costs and a provision for a documentation centre. An indicative budget would be in the order of \$2,100,000.

Labour

Including overheads for office costs, personnel, IT, finance and administration

\$150,000 p.a. (average) times 6 times 18 mths. =	\$1,350,000
\$75,000 p.a. (average) times 3 times 18 mths. =	\$ 340,000
	=====
Sub-Total	\$1,690,000
Communications, travel and incidentals	\$ 210,000
Documentation Centre	\$ 200,000
	=====
<i>Total</i>	\$2,100,000

The Project Coordinator: This will be subject to discussion. Along with salary, there will need to be a provision for administrative support, office costs and a travel budget, an estimated \$250,000 overall for a half time post for two years.

IIED therefore estimates that a total core cost for the project would be in the region of \$2,850,000. It is important to note that although the project is anticipated to be over two and a half years but because of phasing and timing differences we have only budgeted the full team for 18 months. The total core cost could therefore be greater.

5.2. Variable Costs

To this core cost, there will be variable costs to support sub-studies and stakeholder engagement in the regions. These items are the most difficult to predict: first, we do not know how many regional consultation meetings to prepare for; second, until the work plan is properly scoped and agreed the research agenda is unknown.

In terms of regional consultation, we do not believe it is possible to hold a useful event for less than \$80,000, which would include a regional facilitator, travel per diems, regional research and position papers and follow up. However, there are, no doubt, many such events planned and we should explore collaborative arrangements for them.

A **fund** should therefore be established to finance these variable costs. Initially, the target for this could be pitched at \$2,000,000. As the project develops and co-operative offers are made it will soon become apparent if it is to be adequate.

Together, core and variable costs amount to \$4,850,000 – giving a funding target in the region of \$5,000,000. IIED recommends that the ratio of corporate to non-corporate finance be 60:40. As a result, the leadership group will need to raise \$3,000,000 – to cover the core process. Raising the \$2,000,000 for the variable costs would be a priority for the first phase of the project.

Finally, all the budgeting steps would best be approved in stages. After this report, has been considered the next step will be to budget to the point where the Assurance Group is recruited and the project plan endorsed by them. This will involve building the lead agency team, which will involve term contracts.

Annex A Indicative Terms of Reference

The Sponsoring Group

Membership

Drawn from organisations financing the project in cash or in kind, including corporations, foundations, governments, international institutions and leading non-governmental organisations.

Terms of Reference

To act as a partnership formed to sponsor and guide the project by way of:

- Reviewing the terms of reference for each component part;
- Raising the needed finance;
- Endorsing all WBCSD arrangements for contracting the project leadership, the lead work group, and the assurance group;
- Agreeing the project plans, budgets and timetables;
- Overseeing the conduct of the project by way of regular reports and meetings; and
- Generally ensuring that the project maintains the highest of professional standards, integrity and accountability.

Notes

The Sponsoring Group will be co-chaired by a CEO and by one other from Government or Civil Society. The project coordinator will work closely with them and the Sponsoring Group at all times.

The Sponsoring Group shall have no right of veto over the project outputs, but will be given every opportunity to publicly state their agreement and /or disagreements with them – in whole or in part, jointly or severally.

The group will be an unincorporated association but will work through the WBCSD as an incorporated entity.

It is suggested that the whole sponsoring group only meet 3-4 times over the life of the project.

An Executive Committee could be formed to act on behalf of the Sponsoring Group between meetings. This will consist of the two co-chairs and three others and will be attended by the Chair of the Assurance Group, the project coordinator and the project director.

The Assurance Group

Membership

Recognised individuals from key stakeholder groups that can bring a significant input to the project by way of expertise, contacts and/or experience of similar exercises.

Terms of Reference

The group will be charged with ensuring the project maintains a high level of integrity, independence and accountability. It will advise the project work group and sponsoring group on:

- The objectives, design and methodology;
- The work plan;
- The outputs by way of review and critique;
- The follow-up mechanisms; and
- Outreach to the various stakeholder groups.

The Assurance Group will have no right of veto over the work or the content but will always be given an opportunity to state a reserve or minority conclusion. On the other hand, the Work Group will do all it can to satisfy the Assurance Group. In the unlikely event, of the Work Group conflicting with the Assurance Group's collective opinions, the Sponsoring Group will be informed

Notes

The indicative membership will include individuals drawn from:

- Academic research community (MERN, IDRC etc)
- Sustainable development policy research community (e.g. IISD, WRI, TERI)
- Labour movement (e.g. ICEM)
- International agencies (e.g. UNEP, IBRD, UNCTAD, ILO, EU)
- Mining businesses
- Trade associations
- Industry sponsored NGOs (e.g. ICME)
- Community and indigenous peoples' organisations
- Environment, development and human rights organisations
- Consuming industries
- Financial institutions

The group will be chaired by one of its members.

The group members may need to be paid an honorarium for their services. They will be expected to be fully engaged in the process. The group may establish such regional sub-groups as appropriate provided the budget is available.

The group will work closely with the project coordinator and the project director. It will normally report through the coordinator to the Sponsoring Group.

The group will meet at least four times.

The Work Group

Membership

As the scale and scope of the MMSD agenda goes beyond the range of most existing institutes and universities, the work group will have to be a consortium with a defined life span and budget. There will be a lead agency in the group, which will act as the primary contracting party to the WBCSD. It will report in the first instance to the project coordinator. It will employ a project director and build the study team. It will consist of, inter alia:

- The project director, responsible for the execution of the agreed work plan and employed by the lead agency;
- A project editor/rapporteur responsible for all written outputs;
- A director of communications and liaison;
- A director of analysis and research;
- A coordinator for stakeholder dialogue and process; and
- Research and administrative staff.

There would also be:

- A series of subcontracted teams (by region, topic, mining sector or site);
- Specialist consulting groups; and
- Other project agents (designers/printers/translators etc).

All project sub-contracts will be drawn up by and administered by the lead agency. The lead agency will attempt to spread the workload to qualified subcontractors but only after the spirit and culture of the project has been understood

Terms of Reference

The work group will be responsible for:

- Developing the project design, timetable, budget and work plan within the guidelines laid down by the WBCSD on behalf of its members and the other members of the Sponsoring Group;
- Seeking the endorsement of this from both the Sponsoring Group and the Assurance Group;
- Executing the project in accordance with this set of materials;
- Reporting, at each stage, on all material administrative issues to the Sponsoring Group; and
- Reporting, at each stage, on all material substantive issues to the Assurance Group.

In the last resort, the Work Group will retain the right to publish all its findings independently if no consensus can be found with the Assurance Group and/or the Sponsoring Group.