

Verifying Performance in the Mining Industry

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Objective

**Maximise the contribution of
the mining and minerals sector
to sustainable development,
at the global, national, and local levels.**



Where do we start?

- There are approximately 92 minerals produced, all with differing geological occurrences, processing technologies, and uses
- There is a great diversity of government policies, objectives, and capacities
- Mineral producers range from multinational corporations and large state enterprises to small specialised companies and some 13 million artisanal miners




Mineral Markets

- Some minerals such as sand and gravel are produced for local markets. Transportation costs make it hard to compete in broader markets.
- Some minerals such as certain grades of coal and limestone are traded in broad regional markets.
- Some minerals such as base metals, gold, and precious stones are marketed globally.



Mineral Finance

- Artisanal mining and small local producers are financed generally from local sources.
- There are somewhat larger enterprises, and state owned companies, which are often financed by national sources.
- Companies, large and small, with multinational operations, compete for capital in global capital markets.



Where do we start with a global set of rules?

The logic seems hard to escape. A global verification system can have the most impact on:

- Production of minerals which are marketed globally.
- Companies with multinational operations, which compete for capital in global capital markets.
- Larger multinational companies which have diversified operations in many countries.



Some preliminary questions

- **Why?** What is anyone going to gain by such an effort?
- **Who?** What organisations need to lead, or otherwise be involved?
- **What?** What is it precisely that needs to be done?
- **When?** In what order do the steps need to be taken and when do we start?
- **Principles?** What are the basic principles which need to be followed?



Why work towards certification? (1)

- Where finance, markets and operations are globalised, individual governments – even the best run with the most resources – cannot provide all the needed counterweight.
- Many governments have serious problems of resources and capacities.
- International government structures capable of addressing the problems have not fully emerged.
- A “Wild West” model hurts too many people, and is not capable of leading to sustainable development.



Why work towards certification? (2)

There are too many people who want to be able more reliably to tell good performance from bad performance. These include:

- Communities where new mines are being proposed.
- The World Bank/IFC
- Commercial lenders
- Individual consumers
- Large industrial customers
- National governments
- Equity Investors
- Nongovernmental organisations
- Insurers



Why work towards certification? (3)

- Sustainable development requires above all a change in the way decisions are made and followed through. There needs to be a concerted movement toward broader participation in decision-making and more consensual results.
- To bring people together into effective consultative processes, they must be convinced that the results of their investment of time and effort will yield practical concrete benefits.
- Development of a code, if done properly, can be a way to give focus to the efforts of all of those seeking to improve performance.



Who needs to be involved? (1)

To be effective, any system of codes or standards for sustainable development has to operate on at least three levels:

- Basic global baseline standards.
- Standards set at the national level, (e.g. Australia) or the regional level (perhaps the nine countries of the Southern African Development Community, or similar regional organisations)
- There must be local or project-specific standards.

At each of these levels representatives of the principal stakeholders or interested groups need to be involved.



Who needs to be involved? (2)

At the global level, the principal stakeholder groups should participate through the representatives they choose and the organisations which represent them.

- Mine labour has duly constituted organisations, e.g. ICEM.
- Government has organisations of mines ministers (e.g. the World Mines Ministers Forum, or regional organisations such as APEC, CAMMA, the African Mines Ministers and the like), as well as organisations of national environment ministries.
- Large buyers of mineral products have organisations such as Eurometaux.
- Environmental organisations could be represented through the IUCN/ World Conservation Union and/or through some body which emerges from the developing Global Mining Campaign (www.globalminingcampaign.org).
- Large multinational mining companies would be represented by the newly formed International Council on Mining and Metals (ICMM).
- Some of the problems of representing other interests are dealt with below.



Who needs to be involved? (3)

Not all groups have existing representative organisations.

For example:

- Local communities
- Indigenous and aboriginal peoples
- Commercial lenders



Who needs to be involved? (4)

A phased approach:

- **Phase I:** beginning to build a global framework, doing the best that can be done with the current organisational structure. Steps are taken to build necessary representative structures so that all groups are better prepared for Phase II.
- **Phase II:** building those standards into a much stronger structure with full participation of representatives of all identified stakeholder groups.



Who needs to be involved? (5)

Phase I should start with a consultation among key opinion leaders in the principal stakeholder groups. Can Phase I be conducted as a multistakeholder process facilitated by some “neutral” party, or should it begin as a process to develop – with wide consultation – an industry code, led by the ICMM?

Someone widely recognised should act as a convenor of Phase II. It may be, since Phase I is likely to result in a broad adherence to the Global Compact, that the Office of the Secretary General of the United Nations should be the convenor for Phase II.



What needs to be done? (1)

Lessons from other sectors:


- **Not the whole solution:** a verification system is just one of a series of necessary steps. It may have more effect on the 'better' industry performers.
- **The existence of competing schemes undermines effectiveness.**
- **Linkages:** in Phase I the goal is to develop a set of global rules, but that must link strongly with regional, national and local rules and requirements.



What needs to be done? (2)

Sustainable development teaches a counter-intuitive lesson: if you are having trouble solving one problem, make the problem broader. It may be very difficult to progress on human rights, local economic development, environmental management, or elimination of corruption without broadening the agenda to deal with the whole range of sustainable development problems.

There is a limited value in certifying performance on one axis (e.g. environment) if the performance is still subject to severe criticism on another (e.g. child labour).




When should these steps be taken? (1)

The MMSD Draft Report is to be published in December 2001 and the final report in April 2002. This report is expected to call – as one of a series of proposals – for a focused effort to begin Phase I of this process:

Phase I consists of:

- ICMM presenting this proposal to the Toronto industry conference in May 2002 for support and approval.
- ICMM taking the lead in exploring the basis on which other key global stakeholders would be willing to participate in developing a mining code for sustainable development.
- Developing the code.
- Encouraging stakeholders with limited capacity to engage on a global level to develop the capability to do so.
- Encouraging national and regional actors to begin the development of complementary codes at their levels.



When should these steps be taken? (2)

Phase II starts when the Code is in place and uses the Code as a starting point for work with other stakeholders to develop a verification system, almost certainly one focused on individual mine sites.

Phase III would involve broadening the verification system arrived at in Phase II to either (a) companies, or (b) products.



Principles for Progress (1)

- The process cannot focus on the interests of one or two sets of actors to the exclusion of others. Therefore the dialogue, however it is structured, must be **multilateral, not bilateral.**
- No group is going to participate if they gain nothing. **Everyone has to have some gains,** or the process will stall.
- The Code could be promulgated unilaterally by industry. But the broader the participation in its development, the more value it will have. The only way to get that participation is to **broaden the agenda.**
- **There are a lot of pieces already in place.** To the extent that existing agreements, principles, standards and codes are consistent with the code being developed, they should simply be incorporated into the code.



Principles for Progress (2)

- Different constituencies have interest in different issues. While there needs to be an overall supervisory body, much of the work of developing detailed requirements in specific areas will need to be done by **task-specific work groups**.
- The global effort should be and remain **consistent with and supportive of efforts to develop national (or regional) codes and standards for specific mine sites**.



Vision at the end of Phase II

- There is a clear set of benchmarks defining concrete performance objectives at the global, national, and project levels.
- There is a broadly accepted independent system for verifying compliance with those benchmarks.
- There are incentives for companies to comply – favourable borrowing terms, lower insurance rates, a clear system for resolving any disputes which arise. There is increased pressure on non-participants to join the system.
- The other principal actors: communities, governments, labour, nongovernmental organisations, are obtaining concrete and recognisable benefits from the system.
- There is increased interest in company-wide or product certification.

There is recognisable progress towards sustainable development.

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