



International
Institute for
Environment and
Development



Mining, Minerals and
Sustainable Development Project

FINANCE, MINING AND SUSTAINABILITY JOINT MEETING

MMSD, World Bank and UNEP co-organise multistakeholder conference in Washington

Leaders of institutions who provide financing for many of the world's principal mining projects met in Washington to analyse some of the key questions facing the minerals industries. The April 9 conference focussed on the role of financial institutions in the transition to a more sustainable model of development in the minerals sector.

World Bank President James Wolfensohn and officials of a number of private banks, insurance companies, and other financial institutions discussed problems in the sector, which include both low returns on capital and risks of catastrophic loss. They and government officials, nongovernmental organisations, mining company officials and other actors explored the relationship between these financial issues and broader social concerns about the industry's role in economic and social development, human rights and environmental issues.

Among the foremost concerns of the participants was the extent to which improving the industry's performance as an agent of economic development, as an environmental steward, and on a variety of community and human rights concerns lowers risk to projects and increases returns. If this is the case, how can project or company performance in sustainable development be measured in a way relevant to lenders, investors, or insurers? If some set of rules or criteria for measuring such performance can be developed, to what extent would they be applied by financial institutions and what affect would this have on the industry? How can a set of criteria be developed which balance the interests of local communities, national governments, producing countries, consuming countries and others?

The Mining Minerals and Sustainable Development Project, the World Bank Group and the United Nations Environment Programme (UNEP) jointly sponsored the conference, entitled "Finance, Mining and Sustainability", which took place at the World Bank headquarters and was attended by approximately 125 participants from the finance sector, the minerals industry, government, academic institutions, labour organisations, and environmental and human rights groups.

The Director of the World Bank's Mining Department James Bond, UNEP's Director of the Division of Technology, Industry and Economics, Jacqueline Aloisi de Larderel and MMSD Assurance Group Chair Jay Hair opened the meeting. Their opening remarks spoke of the importance of achieving a clearer understanding of the interaction between the financial and the mining and minerals sector.

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The conference was divided into four sessions:

- Financial sector, mining and sustainability – outlook and challenges
- The costs and returns of sustainability
- Sustainability and risk-management
- Better linkages for the financial sector – understanding mining operations’ sustainability performance

The discussion focussed on the risks and opportunities for the financial sector in funding mining and minerals projects and the links between these concerns and the drive for sustainable development. Participants recognised the need to strengthen the business case for the financial industry to develop a better understanding of the environmental and social practices of the mining and minerals sector.

The discussion included consideration of the precise mechanisms (including for example a robust certification system) that could allow the finance industry to better differentiate ‘good’ from ‘bad’ corporate performance in the sector.

MMSD and its partner organisations, based on the views expressed at the meeting, plan to carry this initiative forward with substantive research in several areas: the adequacy of techniques for measuring good social and environmental performance, the links between good performance on sustainable development issues and overall company financial results, and the relationship between better performance and industry structure. The research will also touch on the question of how broader participative structures can be designed to ensure that any set of criteria that are developed, reflect a balance of north-south interests, promote transparency, and ensure wide and equitable opportunities to participate by all concerned actors. This phase of the work is intended to culminate in another joint workshop in Paris hosted by UNEP this Fall.

An outline report of the conference will be made available shortly. For more information, write to mmsd@iied.org.