



Mining, Minerals and
Sustainable Development Project
1a Doughty Street
London WC1N 2PH
Tel: +44 (0) 20 7269 1630
Fax: +44 (0) 20 7831 6189
Email: mmsd@iied.org

**Finance, Mining and Sustainability Conference
The World Bank Group
April 9, 2001**

**Opening Remarks
by
Jay D. Hair, Ph.D.
Chair, Assurance Group
Mining, Minerals and Sustainable Development Project**

INTRODUCTION

The Mining, Minerals and Sustainable Development (MMSD) project is pleased to co-sponsor this “Finance, Mining and Sustainability Conference” along with The World Bank Group and the United Nations Environment Programme (UNEP). We particularly want to thank James Bond, Director of the Bank’s Mining Department, and his staff for their excellent assistance in convening this important event.

I am pleased to be joined today by a number of my MMSD colleagues including Richard Sandbrook, Project Coordinator, Luke Danielson, Project Director, Frank McShane, Coordinator, Stakeholder Engagement and Juan Valasquez, Research Fellow. In addition I am particularly pleased that three members of our governing body, the MMSD Assurance Group, could be present: Jacqueline Aloisi de Larderel, Director, of the Division of Technology, Industry and Economics of UNEP, Gerard Holden, Managing Director and Global Head of Mining and Metals, Barclays Capital, London and Kathryn McPhail a World Bank program manager. Finally, a number of representatives from our Sponsors Group are present and we greatly appreciate their support for the MMSD project.

SITUATION

The mining and minerals industrial sector is subject to a number of powerful trends that will shape the business environment in which these industries operate. Perhaps none of these trends is more challenging than the call for a global transition to sustainable development, a vision based on achieving a better quality of life for the world population today, while preserving and increasing the ability of subsequent generations to achieve a higher quality of life for themselves in the future.

While a number of initiatives for addressing elements of the mining, minerals and sustainable development agenda are underway, several critical impediments have slowed progress. These include, for example, a lack of trust between companies, governments and civil society, and the absence of the necessary skills, incentives, resources and institutional capacity to deliver a more progressive agenda for how the minerals sector can best contribute to the global transition to sustainable development.

THE MMSD PROJECT

In order to encourage a greater coherence in these activities, and to increase their collective impacts, the World Business Council for Sustainable Development (Geneva) established the Mining, Minerals and Sustainable Development project on behalf of a leadership group of CEOs. The MMSD project is managed under contract by the International Institute for Environment and Development (London).

Key points regarding this important initiative are:

1. MMSD, launched in early 2000, is an independent two-year project of participatory analysis seeking to understand how the mining and minerals sector can contribute to the global transition to sustainable development.
2. The MMSD project is sponsored by thirty of the world's principal mining companies, as well as a variety of labor, environmental, governmental and international organizations, including The World Bank Group. The project is governed by the MMSD Assurance Group, an independent and international panel of 25 individuals representative of a wide range of expertise's.
3. MMSD is organized around a process of four interconnected functions:
 - Stakeholder engagement
 - Research and analysis
 - Information dissemination
 - Planning for outcomes

4. MMSD's overall goals are:
 - To assess global mining and minerals use in terms of the transition to sustainable development—its track record in the past and its current contribution to and detraction from economic prosperity, human well-being, ecosystem health and accountable decision-making;
 - To identify if and how the services provided by the minerals' system can be delivered in accordance with sustainable development in the future;
 - To propose key elements of an action plan for improvement in the minerals system;
 - To build a platform of analysis and engagement for ongoing cooperation and networking between all stakeholders.
5. While no definitive conclusions have been reached regarding the recommendations that will flow from the MMSD project we are encouraged by the growing interest among our stakeholders for the establishment of volunteer performance incentives. UNEP and others have advocated that voluntary incentives complement other environmental policy instruments (i.e., such as legal and regulatory frameworks) and have been used successfully to improve corporate performance by various sectors.
6. Finally, it is anticipated that the MMSD final report, due out in March 2002 (draft report in December 2001), will inform the deliberations of a wide range of stakeholders within the minerals sector including the World Bank's Extractive Industries Review and, of course, the heads of state at the Rio Earth Summit plus 10 meeting scheduled for South Africa next year.

ACHIEVING SUSTAINABLE DEVELOPMENT: CORE PROBLEMS

Quite often when we speak of the factors associated with the achievement of sustainable development we recite the challenges in the broad terms of social, economic and environmental issues. In my view this is inadequate. If we are to make real progress we must address the range of issues behind these catch all phrases. For example, the major core problems confronting the minerals sector in the transition to sustainable development can be identified as follows:

- **Poverty:** Reduction of poverty is at the heart of debates about equity and the sustainable development agenda. The minerals industries' degree of acceptance in developing countries depends critically on whether they are perceived as helping to reduce poverty. What is the private sectors role along side the respective governmental institutions?

- **Land Access:** A wide variety of values, from biological diversity to cultural integrity are affected by where and under what conditions mining takes place. Who decides, and on what basis, where and how to mine?
- **Information:** Lack of information, lack of access to information, and lack of confidence in the way information is generated are sources of mistrust and key obstacles to the mutual confidence necessary for effective dialogue among stakeholders.
- **Community:** How can mining, metal and minerals processing contribute to a more equitable and sustainable distribution of rents at the local level and respect community rights and values?
- **Governance:** Processes of globalization may mean that current governance structures cannot provide the necessary checks and balances. What are the boundaries of responsibilities for companies, governments and other stakeholders?
- **Structure:** How should the minerals sector be structured to facilitate the transition to sustainable development?
- **Market Failure:** Are we gaining current income by passing costs to future generations? How can the environmental, social and health impacts of mining and mineral processing be minimized and who pays for the externalities?

These core problems define the essence of the issues being pursued by the MMSD project and have guided us in establishing programs to address the following priority challenges:

1. Can the minerals sector move towards a more viable structure that will contribute more effectively to sustainable development?
2. How can the minerals sector support the development of national economies, especially in the poorest countries?
3. How can the sector best contribute to sustained improvements in livelihoods and well-being at the community level?
4. How can the minerals industries become leaders in environmental management?
5. What are the ground rules for land: its management, access, control and use?

6. How can we ensure that future markets and consumption patterns are compatible with a sustainable world?
7. How can we ensure meaningful access to information for all stakeholders?
8. What should be the administrative relationships, role, responsibilities and performance standards of the key stakeholders in a more sustainable future?¹

It is important to note that the above challenges are not confined just to the minerals industrial sector. Governments, international institutions, and indeed civil society, all have important roles and responsibilities to fulfill as we move forward and engage the transition to sustainable development.

FINANCE AND MINING

At this conference, however, we will focus our attention on the inter-relationships between the financial and mining sectors and how these relate to the achievement of sustainable development.

Some of the important questions before us are:

- How do we insure investments in mining projects that are increasingly supportive of the very best attributes of sustainable development?
- Should a process of investment certification that rewards best practices in the achievement of sustainable development be established? If so, what criteria should be used? What information and reporting systems would be required to make such a process work?
- Volunteer performance incentives have been adopted in a number of industrial sectors. Could these concepts work in the mining finance sector?
- How can we develop a system of financial incentives within the minerals chain of custody—from producers to processors to end-use consumers—that rewards those whose actions promote progress towards the achievement of sustainable development?

THE CHALLENGE

Clearly there are several major challenges confronting the minerals sector in the global transition to sustainable development. Likewise there are numerous opportunities to engage that process in an informed and cooperative manner.

It is to that end that I would like to commend Mr. James D. Wolfensohn, President of The World Bank Group, for launching the Extractive Industries Review. In my view, however, that important initiative can best achieve its desired goals in the most efficient

¹ For more details on these program areas and other information on the Mining, Minerals and Sustainable Development project see www.iied.org/mmsd.

and effective manner if it is coordinated fully with, and builds on, the outcomes of the MMSD project. In order to maximize outcomes for the benefit of all stakeholders it is essential that our respective initiatives be planned and coordinated in as careful and thoughtful manner as possible. Our respective efforts must build on, rather than compete with, or duplicate one another.

Having worked with Mr. Wolfensohn in the past I am confident he understands and values the importance of cooperative initiatives between individuals and institutions. Accordingly, we look forward to a fully coordinated and productive relationship between the MMSD project and the Bank's Extractive Industries Review.

Thank you and, on behalf of the MMSD project, we welcome this opportunity to participate in today's important deliberations and to working with you as the transition of the minerals sector assumes a key leadership role in the transition to sustainable development.

-xxxx-