



Mining, Minerals and
Sustainable Development

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Introduction



International
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World Business Council for
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This report is the result of nearly two years of research, analysis, and consultation by the Mining, Minerals and Sustainable Development (MMSD) Project at the International Institute for Environment and Development (IIED). (See Appendix 1 for a fuller description of the project's history.) This Introduction describes what the project set out to do and the process that evolved to accomplish those goals.

The Context

In the past decade, the mining and minerals industry has come under tremendous political pressure from various interest groups and the media to improve its social, developmental, and environmental performance. Like other parts of the corporate world, companies are more routinely expected to perform to ever higher standards of behaviour, going well beyond achieving the best rate of return for shareholders. They are also increasingly being asked to be more transparent and subject to third-party audit or review. As an emerging response, a number of companies, either independently or with other actors, are establishing 'voluntary standards' that often go beyond any law. But even so, some observers remain suspect that many businesses are merely engaging in public relations exercises and doubt their sincerity. In particular, the industry has been failing to convince some of its constituencies and stakeholders that it necessarily has the 'social licence to operate' in many areas of the world.

Despite the industry's undoubted importance in meeting the need for minerals and its significant contributions to economic and social development, concerns about aspects of its performance prevail. Mining, refining, and the use and dispersal of minerals have in some instances led to significant local environmental and social damage. It is not always clear that mining brings economic and social benefits to the host countries, as the minerals sector sometimes operates where there is poor governance, including corruption, and is thus associated with it. In some cases, communities and indigenous groups near or around mines allege human rights abuses. The litany of concerns is long.

Project Origins

Against this background, and with the tenth anniversary of the Rio Earth Summit in mind, in late 1998 nine of the largest mining companies decided to embark on a new initiative intended to achieve real breakthroughs. They called this the Global Mining Initiative. It included a program of internal reform, a review of the various associations they belonged to, and a rigorous study of the societal issues they had to face. Through the World Business Council for Sustainable Development (WBCSD), they commissioned IIED to undertake a scoping study in May 1999 to set out the global challenge of sustainable development facing the mining sector and to propose the scope of a two-year process of participatory analysis to explore the role of the sector in the transition to sustainable development.¹

A team of IIED researchers reviewed existing initiatives and materials, and consulted over 150 separate individuals and organizations to understand their views of how the minerals sector's contribution to sustainable development could be improved and to develop a more detailed framework for the process. The Mining and Energy Research Network (MERN) held an experts meeting to review the findings. There were few precedents to go by. The nearest was a project on the paper sector, conducted by IIED in partnership with the WBCSD in the mid-1990s.² There was also the comprehensive study of large dams, but it was conducted by a World Commission and at the time was just getting under way.³ While various 'multistakeholder' processes had been attempted, most were not convened on such a scale.⁴

IIED published its results in October 1999, making recommendations for the design and scope of the process that became known as the MMSD Project.⁵ It proposed that the objectives of the new project be fourfold. (See Box 1.)

Box 1. MMSD Project Objectives

- To assess the global mining and minerals sector 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, as well as the track record of past practice.
- To identify how the services provided by the minerals system can be delivered in accordance with sustainable development in the future.
- To propose key elements for improving the minerals system.
- Crucial for long-term impact, to build platforms of analysis and engagement for ongoing cooperation and networking among all stakeholders.

It was clear the MMSD Project had to be independent and collaborative if the results were to lead to trusted and accepted outcomes. In short, the project needed to build on past achievements and involve the sector as a whole, including governments, communities, non-governmental organizations (NGOs), labour, consumers, and academia. It also needed to decentralize – to confer much of the responsibility for undertaking the work to regional institutions in the principal centres of mineral production.

Moreover, since mining is driven by society's use of, and need for, the products of the mining industry, the project needed to be inclusive in its scope and seek to examine the whole life cycle of minerals in the context of sustainable development. There would be little point in having perfect standards at a coal mine, for example, if society considered the use of coal too undesirable in terms of its potential climate effects.

Following the publication of the scoping report, WBCSD appointed IIED to undertake the MMSD Project. One key criterion for the selection of the study's host institution was that it would have no long-term institutional interest in the findings and outcomes of the report, nor would it seek to be the centre of mining expertise. It was on this basis, and on the strength of its competence, that IIED was asked to house the project.

IIED then held a series of discussions with the main industry sponsors to clarify the MMSD Project design and objectives. Some important limits on the project emerged:

- The project would not be about building consensus on how to proceed in any area – there was insufficient time or capacity to do so (although should a consensus emerge, so much the better). Instead, MMSD hoped to set out key issues related to the minerals sector in ways that would fairly reflect different perspectives and suggest ways of moving forward.
- Consistent with this, MMSD would not be the same as a 'commission' of enquiry – the sector was too heterogeneous and divided for such a process to be contemplated. Rather, MMSD would be more in the nature of a feasibility study of what might lead to better outcomes.
- Limits to MMSD's geographical and 'stakeholder' reach were assumed from the outset. The project would not be expected to reach or understand the plight and problem of the last affected group or person in the world. The report would therefore not be 'speaking on behalf of any stakeholders' unless the project had been asked to do so.
- The project – it was hoped – would lay the basis for an ongoing process by many actors. It was not intended to be an end-point that would stop in 2002. It was intended to lay the ground for a strategic approach to solving problems based on analysis and consultation in which the boundaries of rights and responsibilities of all the relevant actors were clearer.

A Project with a Difference

Conducting the MMSD Project turned out to be a major challenge. The objectives were ambitious. Several realities shaped the way it was designed and then proceeded, and these too are reflected in the results. It was recognized from the start that a project on mining and minerals was bound to be more controversial and complex than earlier projects, such as the one based on the paper cycle. For example, the paper industry is based on a single 'renewable resource', instead of a multiplicity of very different non-renewable resources. One issue at the core of controversy concerning mining and minerals is the idea that the use of 'non-renewable resources' is inherently undesirable. Some groups oppose all mining on this basis. This idea is, of course, not new. Many environmentalists from the 1970s onwards

have campaigned against the extraction and use of non-renewable resources, either because they will ultimately run out or because of the adverse impacts of extraction and use.

Many stakeholders, however, are supportive of the minerals sector and of mining – not least, communities and governments in developing countries seeking employment and sources of revenue. The MMSD Project convened several workshops where valuable exchanges of ideas occurred on such issues. But the low level of trust and high level of animosity between the minerals industry and many of its critics was problematic for the project from the start. This was a critical issue, especially if some sense of convergence were to be achieved for the future.

The critics of this industry include a diverse range of constituencies, such as communities in and around the mines and public advocacy groups concerned with the environment, human rights, indigenous peoples, poverty alleviation, and economic development. Labour, too, is in some instances in dispute with management. In order to tackle the public policy issues facing the minerals sector, the MMSD Project needed to have enough breadth to comprehend many of these concerns and their interconnections and implications. But most important, it had to try to create opportunities for the different constituencies to express themselves in confidence and, should confidence be built, engage in dialogue to seek solutions. This objective was not entirely achieved. While participants from many diverse interest groups took part in the MMSD process, a distinct group of NGOs chose not to. Indeed, persuading others not to take part became a campaign for these groups in its own right.

The project design of MMSD recognized that campaigning by environmental and political groups has played an important role in catalysing major changes in the standards pursued by minerals industry in the past, and that these groups would continue to be major drivers of change. But these changes have taken place in a patchy fashion. For example, stringent environmental requirements in Europe and many parts of North America have made it more difficult for companies to operate mines in these regions. This is one reason why little mining is done within the European Union today, save in the building materials sector. The parts of the minerals cycle that have been retained are those where the business of adding value is less controversial (and more profitable). In contrast, governments of developing countries are perceived by some to be lowering social and environmental standards, fuelling a ‘race to the bottom’ as countries use lower standards to attract investment. Given the complexity and interconnections of all these issues, MMSD needed to examine the sector from regional and global perspectives. Understanding the practical politics of these intricate issues was a major challenge too.

MMSD also had to address a clear paradox. While consumers in the industrial world enjoy mined products – cars or planes, jewellery, mobile phones, computers, and even the fabric of buildings – they are less fond of the ‘holes in the ground’ needed for their supply. This disconnect between source and product is even reflected in the structure of the minerals industry, which is quite stratified. The supply chains of minerals are different from those of timber, food, or even oil and gas. At its simplest, miners sell to refiners, who sell onto commodity exchanges used by fabricators, who sell to wholesalers, who sell to retailers and, eventually, to the consuming public. Some companies in the metals industry in Europe are keen to deny their connection to mining on the basis that much of their material comes

from secondary sources. Such an approach mirrors the attitudes of many governments in Europe, which seem disinterested in the problems of metal and mineral supply even though much of the minerals sector's investment and the demand for its products comes from industrial countries and all economies are dependent on them. As a result, it was difficult at times to get the cooperation of key actors along the commodities chain.

The crisis of confidence that the minerals industry has been undergoing in some quarters has given rise to many defensive and divided attitudes. This industry is also diverse and heterogeneous, and the responses of different companies to a growing array of regulations and criticisms vary considerably. Many might like to dismiss criticisms as unreasonable, not least because some critics do not take into account the positive contributions the industry can make to development and to meeting the need for minerals. Leaders of the industry might argue that 'best practice' today is far ahead of the standard a decade ago, that the industry has been judged on the basis of the worst offenders, and that nothing has been done to recognize the failures of other players involved in the sector as a whole, such as governments or the users and consumers of minerals and metals. Others argue that the best practice of today is still not good enough. This is merely an example of the many perspectives that MMSD had to accommodate as best it could.

The Process

The MMSD Project began in April 2000. Before work could commence in full, it was necessary to recruit a new team into IIED to work alongside existing staff. The team, which reached a peak of 17, was drawn internationally and included people with a range of expertise on one or another aspect of the sector.

The project quickly set out to work with as many groups and individuals as it could in the process, and thereby include as many perspectives as possible. In May 2000, soon after the project began, a two-day Strategic Planning Workshop for some 50 people known to be engaged in the issues was held. As with subsequent workshops, participants were drawn from a diverse range of backgrounds and experiences including industry and its trade associations, labour, governments, academia, indigenous peoples, UN and international organizations, and NGOs concerned with environment and social issues. Participants attended meetings as individuals rather than as representatives of organizations.

At the Strategic Planning Workshop, participants advised on the scope of issues and on the process that was envisaged. One result was a list of topics that different groups felt to be important, together with the work that had already been done on them. It became apparent at this early stage that a key feature of the process had to be a concentration on 'strategic issues', for there was not going to be time to enter into every last detail on specifics. The workshop also provided guidance on the process of stakeholder engagement, the project's governance structure, and decentralization of project activities.⁶

In the first year of the project, partnerships were formed in some of the major regions of the world where mining and mineral issues are prominent. As at the global level, the intention was to surface and research issues and to set up a process of engagement for interested parties. As a result, four MMSD regional processes were established – in

Australia, North America, South America, and Southern Africa – with partner organizations. (See Appendix 1 for details.) Regional meetings were held and research undertaken in Europe, Russia, and South and Southeast Asia. Research was also undertaken in China, India, and West Africa.

By the end of 2000 the project's scope at the global level had been condensed to a series of challenges. These were still wide subject areas, but they seemed to constitute the major issues that had to be faced. From August 2000 to February 2002 MMSD commissioned research and held a series of workshops organized around these challenges. Thematic research, workshops, and stakeholder engagement exercises were also conducted through the MMSD regional processes around regionally defined topics.

At the global level, workshops were organized around the following themes: the management of mineral wealth; human rights, conflict, and corruption; participation and law; environmental issues, including land use, biodiversity, waste, and mine closure issues; life-cycle assessment; the reporting and verification of information; indigenous peoples' issues; and artisanal and small-scale mining. (See Appendix 1 for a full list of meetings.)

Throughout the project there were many bilateral meetings and presentations to UN organizations, the World Bank, the Organisation for Economic Co-operation and Development, the European Union, governments, and other significant groups and players. In addition, the process had numerous informal routes by which input and opinion was gathered, including a Project Bulletin, website, and electronic communication.

Three rules were observed throughout the MMSD process:

- First, by attending or in some way taking part in the process, no one was represented as endorsing the process, much less the report itself.⁷
- Second, no person or group or entity was mentioned by name without a published reference or their agreement.
- Third, the Work Group – including all those in the regions – attempted to maintain a sense of fairness, balance, transparency, openness to critics, and honesty throughout.

Independence

This report hopes to reflect all these different perspectives in a balanced fashion. One of the project's aims was to create a structure that would guarantee the project's independence and the quality of the analysis and outcomes. The safeguards put in place centred on three issues: diversification of funding, quality control, and editorial control.

MMSD's funding comes from what is known as the Sponsors Group. To ensure a diversity of funding, the Sponsors Group was expanded to include companies other than the original 9 who initiated the Scoping Study (the 9 grew to 30), the public sector (several donor governments), international organizations (including the UN Environment Programme and the World Bank), one foundation, and six non-governmental sponsors. A target ratio of funding sources was set at 60% commercial to 40% non-commercial. Although in the end this was not achieved in cash terms, many of the non-commercial sponsors provided significant 'in kind' contributions.

For quality control, an Assurance Group made up of recognized individuals with experience from different constituencies of the minerals sector – the so-called stakeholders – was established. The Assurance Group met seven times through the life of the Project to review progress and advise on future direction. To ensure editorial freedom, IIED retained the right to publish the final report independently if in its judgement this was necessary.⁸

The Sponsors Group, the Assurance Group, and the Work Group were governed by a set of charters that were agreed to by one and all who were directly involved (but not by some constituencies that were interested).⁹ A Project Coordinator worked on behalf of the WBCSD and facilitated communication and coordination among the three groups.

Report Scope and Structure

Some final points on the scope of the report. The project excluded all considerations around the consumption part of the coal chain, as it did not wish to enter into the energy and climate debates associated with this commodity since they are well covered elsewhere. Similarly, the downstream part of the uranium cycle was excluded. It focused heavily on the minerals that are traded in global markets, such as metals, and less on those traded primarily in local markets, such as aggregates, sand, and gravel. And it did not deal with cement (the topic of a separate WBCSD exercise).¹⁰

Much of this report is derivative. The project sought to consolidate the existing knowledge base from key actors such as the United Nations, the industry's trade associations, MERN, and the many specialist university departments around the world. It commissioned reviews, synthesis, and reports of existing knowledge. But it also held events to engage those who might be interested in critiquing it.

Thus the MMSD Project is a considerable challenge from many points of view, particularly given the very tight timeline. The sponsors were asked to invest in a process they could not control (as a condition of their contract). For IIED, a Work Group had to be recruited, the regions had to be organized, and the funding had to be diversified – and then the analysis and consultation with all the stakeholders done across a subject area capable of supporting a thousand PhDs. Readers need to bear these limitations in mind. This report is only a consolidation of what has been done and is known by others – and a beginning for those who now want to move forward.

The Work Group retained both editorial and project management independence throughout the project. The industry players honoured their original 'hands off' pledge in full.¹¹ None of the sponsors interfered in the selection of the Work Group or the Assurance Group beyond being consulted on the same basis as other interested parties. In addition to the companies, many other constituents, such as civil society groups, labour unions, academics, politicians, and civil servants took part in the MMSD process and meetings. The engagement was tremendous. Of course, as indicated, the involvement of these individuals and groups in no way constitutes their endorsement of the final report, for which MMSD takes full responsibility.

To some extent this effort has brought the issues just past the starting line. This project was the first attempt, and an ambitious one, to tackle the issues of both supply and demand of minerals throughout the world by whatever means and affecting anyone. The players live in different worlds, work to different ethics, have different values, want different things. Many of these people, institutions, and cultures had never exchanged ideas on these important issues before.

It does appear that at a high level, they share certain views: that the status quo is good for very few of them, a desire to have a better, more functional sector which delivers better results for everyone, and a frustration that there seems to be such difficulty in getting good ideas advanced on all sides brought forward to action. This is a basis on which a way forward can be built.

Above all MMSD hopes that it has succeeded in condensing the study to a few key questions of strategic importance – a long process to reduce hundreds of concerns to a manageable number of issues to be taken forward. These form the basis of the nine chapters in Part III of this report, after Parts I and II provide a sustainable development framework and a review of current trends and actors. Part IV suggests responses and recommendations by reviewing regional perspectives and presenting an overall Agenda for Change.

Endnotes

¹ The original nine companies are now eight.

² IIED (1996).

³ World Commission on Dams (2000).

⁴ Hemmati (2002).

⁵ IIED (1999).

⁶ See the MMSD Project website for minutes of this meeting at <http://www.iied.org/mmsd>.

⁷ The MMSD 'Principles of Engagement' developed early in the project can be found on the project website, <http://www.iied.org/mmsd>.

⁸ See the MMSD Project website at <http://www.iied.org/mmsd>.

⁹ <http://www.iied.org/mmsd/chartwkgrp.html>.

¹⁰ WBCSD (2002).

¹¹ In many ways, the distrust of this position is at the root of many non-governmental groups' distrust of the process. They cannot believe that anyone would invest approximately US\$8million in an independent process without retaining control; the honest truth is that they did do this, in exactly the same way that a foundation does when it invests in many processes with a minimum of editorial or process control.