



Mining Department

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Mr. Luke Danielson
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UNITED KINGDOM

Dear Luke:

Mining Minerals and Sustainable Development
– Public Discussion Draft

On behalf of the World Bank Mining Department, I wish to thank you and your MMSD team for inviting comment on the most recent draft report. This draft is much improved on earlier versions and your team is to be congratulated for a job well done. We consider the MMSD report to be a valuable addition to the debate on these most important issues for sustainable development of the worldwide mining sector. We also hope that it will make a contribution to re-building trust between the industry and civil society.

As a general observation, we still feel that the report is rather long and wordy and, in some places, too philosophical. However, we also recognize the difficult trade-offs between brevity and providing sufficient detail so the reader can understand the issues at hand more fully.

We would like to address some of the specific recommendations you make for the World Bank Group, principally in chapter 16 “Agenda for Change” and taken up in summary form in the Executive Summary. In the main, we have no major objection to these recommendations, however we would like to make some suggestions below to add clarity and to help the reader understand better the role that the World Bank Group (WBG) is able to play. In addition, we offer some brief comments on other topics that may be useful for you.

A Recommendations Regarding World Bank Group (WBG)

International Monetary Fund. As a general proposition, it would be useful to distinguish the various entities comprising the Bretton Woods institutions with a brief sentence on the principal roles of each. In this regard it would be

helpful for the report to note that the International Monetary Fund has important responsibilities and influence on trade, monetary and fiscal policies for many developing countries. It is through these broader policies that IMF activities impact the mining sector. But, the IMF does not have sector-specific operations or specialists. By contrast the WBG focuses on poverty alleviation through medium to long term economic development. The WBG has mining sector specialists and as part of its activities, the WBG undertakes mining sector specific activities.

World Bank Group (WBG). The World Bank Group (WBG), is comprised of the IBRD/IDA, IFC and MIGA, each of which play a distinct and different role in the mining sector. Specifically, IBRD/IDA provide lending and technical assistance to governments for mining sector development and reform as well as through broader activities regarding environmental and social protection and overall macro economic management. The IFC provides loans and investment funds and MIGA provides guarantees for specific private sector mining operations. Distinguishing these roles in the recommendations or at least mentioning them in the introductory paragraph would help the reader understand the value of the subsequent recommendations.

National Mining Policies and Mining Sector Capacity Building. Support for Reviews of National Mining Policies and Mining Sector Capacity Building, in developing countries both of which are two key recommendations of the MMSD report, are at the very core of World Bank activities in its client countries. The reader would have a much clearer understanding of the WBG activities if it could be explicitly stated that the Bank is already active in many countries promoting national mining policy dialogues and helping to build mining sector administrative capacity. It should also be explained that this takes place not only within the context of mining specific technical assistance projects but other initiatives such as the development of the Comprehensive Development Framework and the Country Assistance Strategy which shape the WBG's overall activities in each member country.

Sector Specific Guidelines. With respect to the recommendation on development of Sector Specific Guidelines as a supplement to WBG safeguard policies and environmental procedures and directives, the question of whether the development of such guidelines could be examined as a part of the Extractive Industries Review would need to be considered by the EIR Secretariat. However, the recommendation does not seem to take account of the numerous sector notes, best practice documents, and other tool kits which have been prepared and disseminated by the WBG to address many sector specific issues.

Mine Closure. Mine closure, and most specifically its environmental and social costs, are a key concern to us. It should be added in the recommendation that the Bank is funding significant programs to address the issues of mine closure in many client countries such as Russia, Ukraine, Poland and Romania. We support

the recommendation to convene a conference of major lenders to examine the feasibility of financial surety instruments for closure.

Artisanal and Small-Scale Mining (ASM). There remains a difference of emphasis between our approach to artisanal and small scale mining and that in the report. We believe that legalizing and licensing ASM is an essential first step, not so much for Governments to control ASM (in practice this is exceedingly difficult) but rather because artisanal and small scale miners are more likely to make improvement to their operations if they know that they have legal standing than if they are "illegal" and at risk of being forced away at any time from where they are operating.

Sustainable Development Support Facility. We think that the recommendation of a "Sustainable Development Support Facility" could be better explained to the reader. It is not clear to us, for instance, if the recommendation pertains to a "trust fund" established by single or multi-donors and administered by the Bank, an internally funded Bank facility, or part of a main lending product. Finally, we think it should be noted in the recommendation concerning Community Sustainable Development Plans, that safeguard policies in respect of environmental protection already require mitigation plans not only for the physical environment but also for social issues. It should, nonetheless, be possible to build on these bases to amplify the terms of reference for such social studies and planning.

B Other Matters

Shareholder Value. "Shareholder Value" seems to have become the mantra of companies, both large and small, today. In this situation, it might be useful to reposition the business case not just as linking sustainability to "financial success" but also to "long term shareholder value". If companies are committed to shareholder value and they cannot demonstrate the linkage between sustainability and shareholder value, then the business case has not been made.

Voluntary or Mandatory Instruments and processes. The report recommends that (i) companies conduct reviews of existing plans for eventual closure at their key facilities; (ii) companies prepare Community Sustainable Development Plans (CSDPs) for each of their operations; and (iii) industry develop a Complaints and Dispute Resolution Mechanism. While it would be very desirable to see this done on a voluntary basis, in fact the same recommendations could be made for Governments to require, as part of the regulatory requirements for the sector, companies to prepare and submit to government the closure reviews and CSDPs and Government could also take the lead in setting up dispute resolution mechanisms within their jurisdictions.

Waste Disposal – Voluntary Codes, Certification and Mandatory Audits. The discussion of waste disposal would be strengthened by a

recommendation for the creation of an industry wide code regarding mine waste management and disposal. We support the recommendations in the report for an international system of certification for designers of tailings storage facilities as well as a periodic audit by adequately qualified specialists. This approach could be further strengthened if a mandatory requirement for an independent audit of each tailings facility, together with measures to implement the findings of the audit, were included in national legislation.

Environmental and Social Monitoring. The discussion of environmental and social protection could benefit from a greater emphasis on monitoring arrangements and procedures and the potential benefits of independent, third party monitoring.

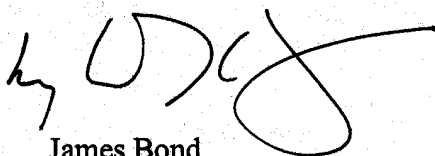
Hazardous and Toxic Materials. Some hazardous and toxic materials may be transported over long distances (in some cases hundreds of miles or more) from the point of import or manufacture to the mine site. It should be quite clearly stated that regulations are required not only for the safe handling and storage of hazardous and toxic materials at the mine site but also for transportation, trans shipment, handling, storage and use of such materials en route to the mine site.

Corruption. At the World Bank, we are strongly committed to addressing corruption. As well as emphasizing steps to reduce corruption by the private sector, the report could make it clear that good governance should also address any corruption taking place in state owned enterprises.

We hope that these comments are useful to you. We have appreciated the opportunity to work with you and your team and would once again like to commend you for the report which significantly advances the dialogue between industry and civil society on these important issues.

We look forward to discussing these ideas with you more fully in Toronto and beyond.

Yours sincerely,



James Bond
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Mining Department

Copy to:
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