



Sustainable Development

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Meeting Minutes

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International
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Development



World Business Council for
Sustainable Development

Attendees

Assurance Group (AG)

Patricia Caswell, Cholpon Dyikhanova, Colin Filer, Doug Fraser, Jay Hair (Chair), Namakau Kaingu, Anna Cederstav, Katherine McPhail, Daniel Meilan, Glenn Miller, Duma Nkosi (Vice Chair), Gerard Holden, Leon Rajaobelina, Manuel Pulgar Vidal, John Stewart, Helmut Weidner, Doug Yearly.

Sponsors Group (SG)

Sir Robert Wilson (Executive Chairman of Rio Tinto), Hugh Morgan (CEO WMC Resources), Simon Thompson (CEO Anglo American Base Metals), Richard Menell (CEO Anglovaal), David Colton (Phelps Dodge), Dave Rodier (Noranda), Tom Burke (Rio Tinto), Hugh Leggatt (Rio Tinto), Peter Eggleston (Rio Tinto), Santiago Torres (Codelco), Tony Wells (BHP), Fernando Toledo (Codelco), Andre Van De Burgh (Billiton), Andrew Vickerman (Rio Tinto), George Littlewood (WMC Resources)

Work Group (WG)

London

Luke Danielson, Caroline Digby, Gabriela Flores, Frank McShane, Elisabeth Wood

Regional Partners

Cristina Echavarria, Marie Hoadley, Daniel Limpitlaw, Bren Sheehy, Valeria Torres, Alex Weaver

Project Coordinator

Richard Sandbrook

Southern African Steering Committee (SASC)

Dennis Shoko, Crispin Kinabo, Thompson Sinkala

Resource Panel

Steve Bass – IIED, Wanda Hoskin – UNEP, Hugh Cameron – PricewaterhouseCoopers, South Africa, Michael Rae – WWF Australia, Richard Haworth – Natural Resources Canada

Observers

Derek Osborn – Non-Executive Chair, IIED Board of Trustees

Opening remarks

Jay Hair, Chair of Assurance Group (AG)

Reflected on the remarkable journey made by MMSD since the Strategic Planning Meeting in Heathrow, London in May 2000. MMSD is not a question of 'us and them', we are all in this boat together, trying to achieve global sustainability. The only place changes can be made is at a table of goodwill.

Jay reflected on the commonly held misperception about the mining industry that the industry is generating enormous net revenues. Actually margins on investments are in the range of 2-3%.

He also commented on the enormous liabilities faced by the mining industry and on the healthy step being taken by the formation of the GMI and MMSD.

He expressed the desire of the AG to discuss expectations with the company CEOs present.

Richard Sandbrook, Project Coordinator

Also expressed the remarkable pace with which the project was moving forward in terms of the diversity of issues being addressed and the degree of engagement achieved.

Sir Robert Wilson, Chair of the Sponsors Group

Expressed on behalf of industry representatives appreciation and thanks to Jay Hair and the AG for their commitment to MMSD. He is conscious that MMSD is seen by some as a controversial project and has therefore resulted in a degree of antagonism for those who associate with it. He acknowledged that the AG is fundamental to the success of the MMSD process.

Described the background to the idea for MMSD: 2 years ago, a group of CEOs and company chairmen got together to discuss some of the problems the industry is facing. In particular, they saw potentially increasing problems in terms of access to markets and access to land. They expressed the concern that legislation by government was not always well founded in science.

From the commercial sponsors' perspective, MMSD is not an exercise in public relations. The industry recognises that there has to be a change in behaviour to change public perceptions.

Sustainable development means a lot of different things to different people. As a bottom line there are 3 streams or objectives – social, environmental and economic. But there are conflicts within and between these objectives. One of the challenges faced is how these issues and conflicts should be solved.

Which companies are involved in MMSD? The majority of large western mining companies are involved but relatively few companies from developing countries with the exception of South Africa. Companies come from a predominantly down-stream focus. In itself this is a message – this is not a big industry, indeed it is relatively small in terms of number of participants and scale of industry on global level. Neither is it a particularly wealthy industry. The mining industry is much smaller than the oil industry. Its ability to move multistakeholder initiatives forward is therefore more limited.

What do we expect this exercise to result in? This is difficult to answer because the industry itself has very diverse expectations. The MMSD exercise is a start, not an end point in *per se*; it reflects part of an exercise of change. Another key part of this change is the stream of GMI work which is looking at the structure of associations in the industry. The aim is to develop an organisation capable of carrying forward debate on industry in all its complexities.

The hope is that this exercise will help the industry to identify and focus on key issues which need to be addressed for it to move forward. There is a need to identify best practice for the industry. Sir Robert also expressed the hope that MMSD will enable a broader understanding of the role mining plays in economic development. He emphasised that it is inappropriate, difficult and misleading to judge the present by the past.

He acknowledged that when the MMSD project comes to an end, there will be many loose ends. He hopes that MMSD will provide a dialogue for discussion that will be more forward looking than in the past – where debate has been characterised by confrontation rather than dialogue. In this vein, he highlighted the importance of the work going on through the regional processes and emphasised the need to build on this for the future.

In addition to change on the part of industry, Sir Robert hopes to see constructive change on everybody's part, including:

- Governments – hopefully this process is going to encourage governments to base public policy more on science than on emotion and response to pressure groups. We need responses that are coherent, transparent and predictable. In both developed and developing countries, this is not always the case at present.
- Intergovernmental institutions – we need recognition that the mining industry is a small one and does not necessarily have the resources needed to implement some of the proposed measures. Greater collaboration within the international community would enable them to be more selective about some of the initiatives which emerge. There are so many initiatives now, that the industry is unable to respond to all of them.
- NGO community – he hopes for increasing engagement, and engagement beyond what we see in this initiative today. There will always be entrenched opponents of the industry and that maybe the industry will never be able to carry forward dialogue with some. However, there are some NGOs who see problems as collective problems. He would like to see a change on the part of NGOs to

recognise that decisions cannot be based on single issues but need to be addressed in the broader context.

AG Member: In part, the NGOs' reluctance to engage is an issue of them not wanting to take risks but that particular issues were involved; for example:

- Riverine disposal – one issue that would make NGOs sit up is the broad statement that riverine disposal is the wrong form of waste management. While it may not be possible to stop existing sites using riverine disposal, the industry could commit to preventing new ones doing so.
- The size of operations has increased immensely; the magnitude of environmental impacts has grown correspondingly.
- Closure issues – e.g. closure of heaps in Nevada is not well understood.
- Difference in practice between large and small companies – large companies may realise that permission to operate will depend on a community's perceptions/acceptance and practise accordingly but medium-scale companies are not necessarily doing this. Poor performance from medium-scale companies will affect the reputation of larger ones.

Sir Robert Wilson responded that, regarding the question of riverine disposal, he saw three means of disposal. All three carry some problems in particular circumstances. While it is unlikely that large companies would develop new projects involving riverine disposal in the future, he would be reluctant to say it will never happen. In some circumstances it may be the best or only solution. It is dangerous to start a shopping list of 'thou shalt not's. He emphasised the need to weigh up the pluses and minuses of the each situation. It may be that in some cases ocean disposal is an undesirable outcome.

With regard to medium-size companies operating in an indefensible way, he felt it would not be appropriate for large companies to defend medium-sized companies. There are definitely unsafe and unhealthy practices within some medium sized companies and the same applies for artisanal mining. However, one cannot wish an industry away.

Hugh Morgan: The increase in size of operations reflects advances in materials handling and separations technology. This has resulted in an increase in the proportion of land which is economical. The increase in size of operations needs to be managed.

In terms of large companies holding small- and medium-sized companies to account, in most cases mining companies are tenants and do not own the land. In this regard, it is difficult for the 'tenant' to tell the landlord what to do about other tenants. There are no barriers to entry in the industry apart from licensing.

Engagement of NGOs

Richard Menell was interested to understand why in some areas engagement had not been as extensive as was desired; MMSD was envisaged as trust-building exercise.

AG Member: It is clear that we are at a watershed. The trend is towards a global concentration of power and capital but at the same time there is a call for increasing democracy and improved communication through advances in IT etc. This call is not going to go away.

Governance should be added to the triple bottom line of sustainable development. It is inevitable that the corporate sector will be forced to lead in areas where it does not want to lead.

The issues faced should not just be seen as a challenge. There are massive opportunities in this for the mining industry. Key issues are around research and development, and wealth distribution.

As far as NGOs are concerned, it was unrealistic to expect all NGOs to be successfully engaged. MMSD represents a new form of cooperation, a new movement group of people. Energy should be spent here rather than with NGOs that are not engaging.

Sir Robert Wilson agreed with this point. The industry are not looking to solve problems with NGOs who are not here today but want to move forward through trying to achieve constructive dialogue. The industry has no illusions about information requirements; for example, in Rio Tinto all of the reporting groups around the world are required to prepare reports for their communities. He even suggested that we may have reached the point where there is so much information we are not able analyse it all. However, the priority now is to provide the right information.

Hugh Morgan: On the subject of community reporting, some of the larger companies have been accused of setting levels of reporting that are designed to put others out of business. However, it is now getting easier for companies to be involved in effective local reporting, through local websites, for example.

Regarding issues of governance, there should be a requirement for corporations to assist regulators in becoming more transparent.

AG Member:

- The major issue relates to mineral wealth and development. In itself, mining is not sustainable; however, if the benefits outweigh costs, then we should carry on. We need to see a new approach where minerals development benefits countries – e.g. Southern Africa.
- The main problem with some NGOs not getting involved is that we are losing out on some of their experience.

- One of the key opportunities to come out of this process will be an advance in communication.

Sir Robert Wilson commented that the issue of broader costs and benefits is a difficult one to address in terms of past or current projects. However, it can and should be addressed in future projects. When Rio Tinto considers or develops new projects today, they look at costs and benefits to the community as well as financial costs and benefits. The question of how to weigh the balance of positives and negatives is not a question that should be answered by governments. The role of Government is to decide whether or not a new development is desirable. This process of decision-making can and does work well. The process falls down where there is a lack of capacity in government or where there are smaller players.

Hugh Morgan: All business involves risk and the mining industry has a very strong self-interest to make sure that in any process they enter they minimise that risk at the start, in part, to ensure that they have a continuing licence to operate.

Simon Thompson: The issue of capacity in government is particularly relevant at the level of local issues. At this level there is a need for more detailed thinking about where the boundaries of responsibility lie.

AG member:

1. We need to acknowledge that there are different communities of interest and then address how to put these interests together.
2. What is going to happen after MMSD finishes? What will happen after the meeting next year? If we think of next year as an end in itself then it will fail; if we think of MMSD as the beginning of a process, this is more promising.
3. MMSD does not represent the truth of day-to-day common conflict but has longer-term outcomes.
4. We should come out with a certification process or code of conduct.
5. Current MMSD Outline of Challenges does not include short- and medium-phase outcomes.
6. We should recognise that there are different roles for different actors.

Robert Wilson: MMSD should be seen as the start of an on-going process. A code of conduct for the whole industry may not be the right way to go. Rio Tinto has a code of conduct that covers a broad range of sustainable development issues. He anticipates that the Rio Tinto code of conduct will be revised at the end of MMSD. For a code of conduct to work, there needs to be a sense of ownership on the part of the companies involved. For this reason it is better to have individual company codes of conduct than a global industry-wide one. However, while it is quite easy to draw up a corporate code of conduct – just as it is easy for a company to sign up to different initiatives – the challenge lies in the implementation. Management systems need to be in place to effect implementation. Thus the challenge is to change management

practice. There is a need for a monitoring and reporting system that will say internally and externally how the code of conduct is working. In conclusion, codes of conduct represent only the tip of iceberg in achieving comprehensive change.

AG Member: The industry's relationship with government should be on-going through the mine life-cycle and should not be limited to the granting of permits. There is a difficulty in Latin America arising from development having happened at a fast pace and government not always managing to keep up.

Richard Menell: In South Africa the opening up of a collaborative relationship between labour, government and companies is being experienced.

AG Member: On the issue of best practice, the implication of many discussions is that some of the 'best practices' being attained today are acceptable when this is not necessarily the case. There remain some issues that are technically unresolved. We should not hide the fact that problems remain.

Large mining companies should be willing to criticise some of the smaller mines. This would be a valuable contribution and would reflect well on industry.

Environmental Impact Assessment (EIA): when beginning studies and upon realising that there are going to be serious problems, many companies focus on how to get around the problems and how to convince government etc. What is needed is some level of commitment from companies that in some cases they will simply say 'no'. There is also a need for strong commitment from mining companies to work with community and NGOs, particularly because of local-level issues.

Access to information & transparency: in the future it will be very important for the NGO community to have access to all relevant information. There is no reason why information cannot be made available.

Internalisation of social and environmental costs would be a desirable outcome of MMSD. Once this is initiated, it will be possible to start raising the bar of where social standards should be for mining.

Sir Robert Wilson: Today's best practice is useful for raising the standards of industry over the short term but the aim should, indeed, also be to raise this bar over time.

On the subject of criticising smaller companies, it would aggravate the problems we are currently trying to solve. It would appear that larger companies were trying to push out smaller companies with monopolistic intent.

Regarding the responses to EIA, companies continuously throw out projects that are too difficult in terms of the environmental problems or community issues they raise. In my view, the biggest challenge facing mining companies on the ground is community issues, for a number of reasons. Firstly, managers of mining operations tend to come from a western culture and have an engineering background. Community issues require an entirely different approach to this. Secondly, community issues cannot be addressed in the same way as environmental issues.

Sometimes EIA's are expressed as though a new project will have a one-off impact on a community rather than being a continuing process. Thirdly, mining companies often work in areas where indigenous people do not have rights that are recognised by governments. This is one of the biggest challenges for a company.

The internalisation of these costs would not be possible if it were undertaken in the mining sector exclusively as external costs are not something particular to the mining industry. As part of the global economy, costs cannot be internalised in one sector of the industry/economy and not through the whole economy.

AG Member: How do the CEOs see the process going on beyond the MMSD project and how do you see a smooth transition from this to an on-going process. We must work to avoid a loss of momentum when MMSD is finished.

Hugh Morgan: The question of how to handle this transition is indeed a challenge for the mining industry. Another strand of the GMI is how to improve the Industry Associations, and new ICMM is part of this. Concurrent with MMSD is a review of metals associations and regional associations. Following the MMSD report, there will be an industry review in Toronto in May 2002 – the GMI Conference. This conference is intended as the industry's own opportunity to review outputs of MMSD and to decide how to move forward. They want to understand how to play a role in Rio + 10 and how to maintain the value of work being put in place, including the dialogue with other stakeholder groups. The intention is to ensure that the momentum we have now is not lost. This is an exploratory process.

Richard Sandbrook: It should not be one process that carries MMSD forward but several processes. The task of the MMSD process is to work out what these should be.

Outcomes

This session focused on discussion of the kinds of possible outcomes of MMSD and mechanisms which might be adopted. A number of initiatives emerging in parallel to MMSD were also discussed. Luke Danielson highlighted the need for clarity on how to move from the current array of alternatives to focussed discussions.

Richard Haworth – Proposal for a Global Agreement on Mining, Minerals, Metals and Sustainable Development

Richard Haworth gave a presentation describing such an agreement, between individual national governments, as being a potential outcome of the World Summit on Sustainable Development (WSSD – the Rio +10 conference). This agreement would provide a framework for national governments to work together to pursue sustainable development principles in the sector, supported by international governmental and other organisations. This framework could be complementary to the Global Mining Initiative for the mining industry. The agreement could be based on intergovernmental norms, guidelines or legislation and could create a high-level

policy forum where government, with input from industry and civil society, could discuss a range of issues related to minerals and metals.

Questions

Hugh Morgan: Entering into such a treaty in a country like Australia would have major political ramifications since it would imply a move from the Federal Government system to the country level. How would such a programme be supported by the UN family? One of the issues for industry is how to deal with multi-tier organisations: we have national and regional governments; if we need international ones as well, further consideration will be required.

Richard Haworth: In Canada the same relationship exists between provincial and state Government. The idea behind the treaty is to be an informal relationship between country governments. There is no enforcement of any protocol at an international level. It is essentially a debating chamber but one which will produce important results. In response to the question of which international organisations supported the idea, discussion has not yet gone further than UNEP.

Wanda Hoskins – Proposal for a World Mining Forum

Wanda Hoskins described the forum envisioned by the United Nations Environment Programme (UNEP) that could continue the international multistakeholder consultation and engagement process of MMSD, under the organisation of a neutral and relatively small secretariat. This forum would be based on the following intentions:

- To foster an emphasis on action, based on consensus
- To strive for a wide multistakeholder representation
- To facilitate information exchange and provide a forum for discussion on technology innovations and transfers
- To assemble a broad body of knowledge and information and to produce public reports on the state of the industry
- To identify key indicators for monitoring and to prepare guidelines for development

The ideas behind this forum are still being developed.

Questions

Could such a small secretariat cope with the breadth and multitude of issues and concerns?

MMSD has already achieved much and this would need to be built on. The Ozone Secretariat, hosted by UNEP, is effectively run with only three people and has managed to avoid being drawn into political issues. This group has managed to address a number of technical questions and has produced reports that people see as poignant and useable.

Action: Wanda Hoskins agreed to circulate information about the Ozone Secretariat

Kathryn McPhail – Proposed Review of World Bank Group Role in Extractive Industries

The mining sector represents 3% of the World Bank's operations and 11% of the IMF's. However, these figures are not representative of its importance. Mining is the single most important sector in many of the countries in which the World Bank Group (WBG) works. The potential contribution the mining sector can make to poverty reduction is also far greater than reflected by these statistics.

Why do we need a such a review?

The sector's contribution to sustainable development is being questioned because of issues concerning biodiversity, indigenous peoples, local community impacts, governance, corruption, revenue management amongst others. The changing focus of the WBG and the changing environment in which it operates mean that the role of the WBG in the extractive industries (including oil and gas as well as mining) is also being questioned and a review of its activities in the sector is needed and timely.

What will be the objectives of the review?

To develop an understanding of how stakeholders perceive or envisage the future role of the WBG in the extractive industries. From this, to refocus WBG programmes as needed and to generate greater consensus in the broader community about WBG activities in the sector. The review is not expected to set industry standards, nor to usher in a moratorium on WBC activities in the sector.

Questions

AG Member: There are two principle issues of supporting large mines in developing countries. Firstly, the impact of a specific mine on the people directly affected by it and secondly the wealth created for the country. The big question is how are conflicting issues going to be resolved.

Kathryn McPhail: The Extractive Review is at a very early stage and in the process of defining issues. The question is how to document these issues and how to make judgements.

Hugh Morgan expressed concern about ensuring that the work of the World Bank Extractive Industry Review complements that of MMSD.

It was also commented that work in the oil and gas sector is quite advanced in this regard. There are similarities between oil and gas, and mining and in this respect it is important that lessons be learnt and information shared.

Voluntary Initiatives

Dave Rodier – Responsible Care

Dave Rodier gave a presentation on the Responsible Care ethic in the chemicals industry, its relevance to the mining industry and its potential as a model for a mining industry initiative. He explained how in the mid-'80s the chemical industry had lost credibility and become a concern to the public, a position similar to that of the mining industry today. Therefore, Responsible Care's principles of stewardship, accountability and responsibility, which have successfully guided the chemicals industry towards the goals of sustainable development, and into greater favour with governments and public, could constitute a valuable model for the mining industry. To this end the Canadian Chemical Producers' Association (CCPA), whose membership is contingent on commitment to implement Responsible Care, has offered MMSD whatever assistance it deems appropriate.

Questions

A question was raised about the applicability of Responsible Care in a developing country context, for example where the role of local government is weak.

A question was raised as to what the impact of Responsible Care had been for investment banks. A representative from an investment bank expressed the view that his bank would not lend to a company in the chemical sector that was not signed up to responsible care.

Who determines compliance? Would a company be expelled if they fell from line? It was explained that there had been a couple of small companies who had felt they could not maintain the requisite standards and who had subsequently resigned from the programme.

Steve Bass – Forest Stewardship Council

Steve Bass gave a presentation describing the establishment of the FSC, the considerations made and the difficulties experienced.

What can we learn from forest stakeholders initially fighting and then working together?

Positives – high social and environmental standards. A global set of principles and criteria that are then locally certified. We have developed compatible national standards of governance and transparency which helps to afford it a high credibility. In the case of forest certification, buyers are the triggers that make it happen. However, there is now a substantial interest in certification from the finance community.

One thing that the companies have learned is that national working groups sharing the agenda for change, including governments, has taken some of the pressure off companies.

One problem is that it has been perceived as a quick fix by some. In addition, fighting between the good and the excellent has not helped those who are asset stripping. There needs to be more of a step-by-step certification system.

Shortcomings:

- Some big producers don't like it and prefer ISO-type standards;
- The problem of proliferation;
- How to deal with NGO involvement which will not allow any compromise; and
- Buyers' confidence.

AG Member: How does the FSC fit in with the whole range of instruments – good/best practice, policy etc.? What does this mean for mining sector? Conditions of mining are very diverse but we should assume we can overcome this. The second issue is that it could quite easily become a surrogate form of protectionism – not enabling developing countries to export.

To a large extent, consumer concern led the Forest Stewardship initiative.

Michael Rae – Mining Certification

Michael Rae gave a presentation on the joint WWF-Australia and Placer Dome Asia Pacific project, aiming to evaluate whether independent third party certification can be applied to the mining sector. The project will examine how certification could be developed for the mining industry, and will seek to develop measurable and auditable on-ground performance standards for a mine site that are acceptable to the project participants and stakeholders.

We are very much against effecting protectionism. Therefore we are looking for voluntary schemes that do not involve government. It is more an issue of letting consumers choose. Whole issue of certification is a project that fits in very well with what MMSD is trying to do, in terms of identifying problems and bringing solutions.

Questions

What do you do if you have mix of metals from different places in one product?

In this project we are looking at certification of the mines for investors – i.e. at single commodities. There is potential for a chain of custody for products but that is further is a further step.

Taking an example from the forestry industry, the UK supermarket chain Tesco's have lots of different wood in different products and they have product checkers.

Certification can be applied to anything, including mining; the principal constraints in this case have to be examined and assessed.

Hugh Morgan: The experiment with Placer Dome is very interesting. Is having an NGO as an auditor a problem? What role does an NGO play in this context – is it an international franchising outfit? We already have many auditing committees and similar bodies. In terms of professionalism, can NGOs be independent? NGOs speak differently in different parts of the world. Does this process offer some opportunity for substitution?

Michael Rae: In the cases of the FSC and MSC, the institution sets up a process to accredit auditors. Anyone can be accredited under this system. The important component is independence from any of the other actors. On the franchise issue – yes, WWF is an international franchise but decisions with the FSC are made internationally.

Can there be flexibility; dealing with 3 distinct areas of sustainable development?

Certification does not solve all issues and is certainly not the magic wand. Some things may not be certifiable.

Are we moving to a world where there needs to be some form of standard setting? We will never be able to regulate out crooks completely. The FSC attempted to develop a system where certification is rigorous but such a system will always require eternal diligence. The availability of people will be a problem, making sure there are sufficient capable people.

Luke Danielson: I can see the problems of voluntary initiatives as having 3 elements:

1. Norms;
2. Administrative arrangements; and
3. Incentives.

As for the drivers, we are studying the questions around customer-driven norms, credit and insurance.

Future MMSD outcomes events:

- 1-day workshop on July 18 in Sante Fe.
- Chatham House Workshop in October.

MMSD Southern Africa

The Southern African regional partners gave a presentation on the MMSDSA process – its development, regional engagement and involvement, the building of trust and partnerships, and the many substantive issues that face the sector in the region.

Regional Partner: It is important to stress that the Southern African process is not just a South African process. South Africa is a new democracy and has a lot to learn from the other countries.

It is also important for all stakeholders to understand that the sub-continent is endowed with mineral resources. Conflict in the region is largely driven by exploitation of natural resources. Capacity of stakeholders is a critical issue.

How do we move the process forward? It has been difficult to get some of the most credible and trusted NGOs on board. They have expertise which we need to share. So we may need to think about a new strategy for how to involve them, even if only informally.

We will draw on some interesting case studies and examine existing frameworks from elsewhere that are based on working models.

AG Member: Have you looked at international management models? MMSD Southern Africa producing a working model would be a good outcome of the process.

Regional Partner: Reviewing experience and coming up with recommendations is built into our Terms of Reference, to an extent.

AG Member: We are faced with the same challenges as arose in our earlier discussion of possible project outcomes. What outcomes do we want to move towards: voluntary initiatives, best practice guidelines etc.?

Regional Partner: A more concrete idea of stakeholder expectations and the next steps will emerge sooner with MMSD_{SA} than with the global part of the project as we are holding a large multistakeholder meeting in November 2001. We need to ensure that the outputs of our studies are credible to stakeholders. We should try to link the forum to the SADC framework. There have been some moves to try to get it inside the SADC. This may not be appropriate. In which case, what kind of forum do we establish?

One of the main issues arising from stakeholder consultation has been poverty alleviation and managing mineral wealth. Hence the issue of boundaries of responsibility.

Richard Sandbrook: I would be interested to know the degree to which government/governments have been involved in this process and whether they see value in this kind of process. MMSD must not abuse the process of change

Richard Menell: I am pleased that the Southern Africa process has been able to focus on issues which are particularly relevant to the region rather than on more global issues.

There are great opportunities for change in this region – regulatory frameworks are relatively open and this is a time of particular opportunity in terms of ability to participate.

One major problem is the capacity of government and other stakeholder groups – an area where this region needs help so that debates can continue and the areas for particular support be identified.

Simon Thompson: What is the status of government involvement? Regional, and also national-level government is now more focussed on poverty.

We need to understand what the plan is for MMSD. In our discussions we have heard many ideas. Hoping that there is a process at the end of the project, we should develop a common plan and we need to try to bring efforts together, achieve goals and become more efficient.

AG Member: The issues are broad. Has there been any attempt to focus more?

Regional Partner: Many of issues on the list are cross-cutting but poverty alleviation is the key overarching issue.

A member of the Southern African Steering Committee: Small-scale mining is very important. Issues of training, education and equipment are particularly important to small-scale miners; the sub-sector does its business in a very haphazard way because of lack of training and equipment.

Governments should help through developing an institutional framework. They cannot collect revenue from small-scale mining. Large-scale mines are co-tenants and they do not own the minerals – these are owned by governments. The large-scale mining sector has the financial means, technical expertise and also the ability to access donor funding; they could develop an organised system where they broker funding on behalf of small-scale miners and form cooperatives. What can large-scale mines do for small-scale mining?

What can industry do to alleviate poverty? Which of their practices aggravate industry?

An MMSD_{SA} Member described their research topics:

We are looking at revenue distribution and best practices in the region. The question can be divided into two areas:

1. Public – private. What benefits do each derive?
2. Distribution from local to regional. We need to look at diagnostic design and delivery. Are companies undertaking scenario planning in the countries in which they are looking to operate? How are companies helping with regional development planning? How do you link local suppliers with global procurement systems? Delivery and implementation: companies have a lot of expertise in tracking, monitoring. What are they doing with regard to best practice around this area?

AG Member: Governments are working tirelessly to get SSM into the sustainability agenda in the SADC region. It is important to think about how profitability can be evaluated and about what can be done for SSM. If we are successful in initiating change and development with some, others will follow.

AG Member: To understand why Southern Africa is still poor we should identify weaknesses. What lessons can be learnt from experience? What good models can be used? What are the fundamental reasons why existing models haven't been successful? One cause is corruption – a few people enriching themselves at the expense of the many.

Rick Menell described 3 interfaces between large and small companies:

1. The formal sector can aid and assist in building up technical skills etc.
2. At the early stage of exploration the Mining Industry Association of Southern Africa (MIASA) is looking at ways to incorporate SSM. It is a matter of listening and talking; much communication is needed before the aspirations of each group can be properly understood.
3. Stepping from the informal to the formal sector. In South Africa particularly we are trying to assist previously disadvantaged communities. This could be used as a model for the broader region.

The transformation from the current situation to a desirable future will involve a framework of institutional change. We need to understand how best to construct this framework to implement positive institutional change.

Alex Weaver: I envisage we will be working on where we are, where we want to get to and how we get there.

An AG member summarised the discussion, including the capacity to interact with stakeholders and to coordinate all the things that are taking place.

Managing Mineral Wealth

Discussion of the MMW paper prepared by MMSD

Sir Robert Wilson: It seems to be widely assumed that there is a huge economic rent to be extracted from mining industry. Further, there is an body of opinion which believes all the external impacts and considerations of mining are negative, and does not consider development of infrastructure and skills. This hypothesis has been built on flimsy grounds. Calculating these external costs and considerations is possible in principle but needs, in practice, to be accompanied by equivalent assessments in all sectors.

Hugh Morgan: We must provide two basic products – food and metals. There is no escape from a proper, appropriate methodology of producing metals; we need resources to be available to move people above the poverty line and beyond.

Simon Thompson: There needs to be a clear understanding of costs and benefits. Certainty of the regulatory environment is also important: if we are working in an

environment where there is regulatory uncertainty, marginal infections will be discouraged.

AG member: External costs are very real, as expressed in the MMW paper. Part of the problem is that too much is produced.

Hugh Morgan: We need subsidised facilitation from business; for example, the World Bank. If such mechanisms and institutions are there, it does make resources more readily available.

Changes in technology are changing the perception of what is available, and they have made prices fall.

AG member: The countries that are in desperate need of wealth and poverty alleviation are competing with each other to gain investment and are probably also losing out.

Sir Robert Wilson: One thing that may improve this on a global level is increasing the levels of consolidation.

Simon Thompson: Let mining operations be shared by communities.

Hugh Morgan: There are examples of this, where there are national collation systems which give money back to local communities.

Sir Robert Wilson: This requires a local-level capacity to administer funds that sometimes does not exist. Subsequently, inequities will arise that might be regarded arbitrary. Therefore, the ultimate decisions over benefit distribution will have to lie with national government. But hopefully there would be a bias towards local communities.

Fernando Toledo: Local benefits depend very much on national policy and are beyond the control of the company. Many companies are making changes in the level and distribution of local community contributions. For example, stopping the practice of building mining camps and helping the workers to live within their communities; trying to hire local workers whenever a new project comes in and not bringing urban workers into local communities. There are many other ways in which companies, particularly big mining companies, can aid local development, outside of government.

AG Member: I hear a conflict: on the one hand, observations that access to land is more difficult; on the other, the developing countries actively seeking new mining enterprises.

Hugh Morgan: Companies experience an additional conflict from time lag: shareholders want results in six months not six years but many of these considerations are long term.

AG Member: Corruption – whatever the source of income when a country becomes corrupt – is endemic to certain cultures and has to be dealt with by lending agencies and investors. It is critical for all US companies to deal with corruption as a regional issue in Latin America, Africa and the Far East. It is difficult, for example, to justify an academic paper examining the existence of a ‘Dutch disease’ in a certain country when faced with corruption.

AG Member: There is an expectation that when a company goes into a community and generates wealth that there will be some feedback back into the community. I have seen a number of cases where, because of the inability of government to bring wealth back into the community, that community has been destabilised. This is a very important issue and not one peculiar to the mining industry.

Santiago Torres: Corruption must be examined from both sides: governments and companies – receivers and givers of bribes. The issue of dealing with corrupt government should also contend with how a company will approach access to resources. If it considers bribes necessary, a company must question the genuine availability of the resource. In terms of rate of return, this is not best way of looking at problem. We need to look at the different stages of the process – mining, processing etc. Mining is often more profitable than processing and the most profitable route for the company will only be as far as concentration.

AG Member: Should mineral wealth go back to government or be spread around impacted communities? Some countries, such as Botswana and Chile, receive considerable revenues from mineral wealth and can afford to put this back into the community. Perhaps we should examine this issue on a country-specific level rather than as a mining-specific issue.

AG Member: Would it be possible to map the mining and minerals industry in the context of others? The World Bank and others will have the necessary statistics. It would be helpful to have a paper showing this contextual map: it would help bridge the gap between the view of industry and of others; it would form a useful platform for other considerations.

AG Member: If there were a decision on all sides to solve the problem it could be solved. The problem must be seen as political, with both companies and governments responsible. In Chile, for example, all mining revenues go straight to government and their distribution is at the discretion of the government. The public, however, cannot see the returns. We have proposals for the promotion of development but not the distribution of wealth.

AG Member: Under globalisation there is a perception that inequities are being increased as a result of privatisation and questions of who is benefiting. Oil, gas and mining and issues of mineral wealth: these are long-term investments and are very location specific, with high capital investment costs up front and low returns. The timing of government receipts is critical: governments do not receive money when it is most needed – at the beginning of the development and at the end, at closure. The WB extractive industry review is looking at how revenues are raised and distributed – both sides of the equation

We need to look at governance, corruption and transparency. There are a number of joint public and private initiatives and there is country self-assessment. The IMF has fiscal transparency. The WB is working on public expenditure management and how communities are affected.

AG Member: The MMW paper raises issues but does not attempt to provide solutions. A broader input is needed, economic sources other than the Colorado School of Mines.

George Littlewood: MMSD must be capable of properly informing policy choices and designating the role of different actors in these policy issues. The issues are functions of different settings in different regions and different stages of development. We have examples of both best practice and worst practice. How is MMSD going to move forward from this paper?

Developing countries feel they do not receive a fair 'take' of mineral developments' profits. Therefore, one of the questions for analysis must be what is a fair take? Countries have tried a number of different methods of ensuring a fair share in the past. Having established the real presence of a revenue, developing countries have laws which dictate, for example, 50% foreign ownership requirements. Take is form of economic benefit – what is the evidence of this happening? Where is the benefit? Where is the benefit getting into the economy? Can you see these benefits in private economy? One form of evidence is employment and per unit employment is falling. There is an increasing proportion of higher skilled, foreign employees. Is there other spending that is generating other benefits? Take the ECLAC study as an example: is there any mineral wealth? What is the amount? What are the principles about what the take should be? How much should go into state sector? How much should we look at private sector ability.

AG Member: There is a paper produced by the Chief Economist of Rio Tinto on the performance of the mining sector relative to other sectors. In a new project, the mining company will look first to recoup its initial capital investment and cover the costs of risk – these are the basic economics. The difficulties of sharing and distribution arise beyond this figure: most of the income above this threshold should go to local and national government but companies also need a share to maintain investment incentive. Complications of corruption and distribution come with the government share. It is not the responsibility of the industry to solve this, but of the lenders. The paper must address corruption and methods of preventing and dealing

with it. It must also include cleaning up and maintaining the viability of communities after mining as finished.

Steve Bass: A key question asks which of the causes and impacts are specific to the mining sector and which can be managed by it. Transparency International are very helpful in mapping points where controls can be imposed. In the forestry sector there are certain methods where influence can usefully be exerted through the supply chain, at the consumer level for instance.

Wanda Hoskin: In building up ideas, options and examples, it would be useful to have some short, illustrative case studies of the measures being taken by some countries and companies to manage wealth.

AG Member: What is the rationale of communities benefiting from mineral rights? The evident answer is they are the ones most impacted by mineral activities. Who owns the mineral rights – states/communities? Balance of power between central government and local government; what should be the roles of companies in developing the capacity of local government?

Fernando Toledo: Mining companies have only limited ability to changes taxes and policies. To avoid merely an academic discussion on macroeconomics you should concentrate on those cases where mining practices have addressed this in terms of clusters, local economic development etc. Dutch decrease is not due to corruption – as can be seen in the original example of Holland.

David Colton: We need to examine the positive economics and recognise positive impacts, considering the balance. Also, what are the similarities and dissimilarities between mining and other industries? The free market is not a good allocator of external costs. We must be realistic about what can actually be changed and where those changes need to take place – some issues will require global change for example. Corruption is a good example because government corruption is difficult to resolve but company corruption is a more feasible target.

Regional Partner: We need to look at the structural conditions in particular countries. Distortion is caused in the Congo, for example, where civil servants are unpaid for months and then companies come in flashing dollars. I think it very offensive to say that ‘corruption is endemic’.

AG Member: The issue of externalities has been around for a long time. I don’t know the solution but believe that the end user should pay.

AG Member: This document should include:

- Basic rules of democracy, including both the positives – capacity, access to information etc. – and the negatives – corruption.

- Who is in charge of planning in government? For example, in Peru the economic ministry has this role, which is a mistake as its decision-making is poorly informed and not broadly considerate. Who is in charge of the decision to allow one activity over another?

AG Member: There should be no preordained positivism or negativism but a really serious evaluation of impacts. Profit margins should not and cannot be used as a measure for setting standards.

Richard Sandbrook: In the context of Rio + 10 every nation has to develop a national strategy. The 'polluter pays' principle is important and every country follows this. The use of minerals in developed countries or developing nations is not properly reflecting costs. The global economy is not fair; we are not going to solve this problem but cannot evade it. The northern consumer getting away with low prices.

PWC Survey

Hugh Cameron gave a presentation on the PricewaterhouseCoopers-MMSD mining industry majors survey:

- Its objectives of creating a baseline assessment of corporate engagement in sustainability concepts and of current company understanding of sustainability issues;
- The survey process;
- Participation; and
- Preliminary findings.

Survey transparency:

Luke Danielson: The original proposal was that the survey results would go directly to PwC, who would assure companies they could be as candid as they wished. There was a great deal of concern about this and, subsequently, a counter-proposal that all of the results would be made public. It was decided that the companies would be informed that they would be requested to make their individual responses public but that they would be under no obligation to do so.

Hugh Morgan: We experienced difficulty in answering some of the questions; sometimes there was only a very subtle difference between choices.

Will the list of companies who were invited and companies who responded be made public? Is there a bias to be shown from the response data – who responded and who did not?

AG Member: Have you made any attempt to understand varying perspectives within a company? You will get very different responses from different people within a company.

Hugh Cameron: No, it is supposed to be a company view with the perspectives of the most senior people.

AG Member: A survey is the best way of acquiring information and understanding companies' commitment to sustainable development. It would be interesting to know exactly what information companies are reluctant to share.

You need to be careful, in seeking company perspectives, not to forget or undermine other perspectives. Advantages to business from sustainable development may be detrimental to impacted communities, for example, and this diversity and complexity needs to be reflected.

HC: This survey should be seen as a first step. Perhaps in the future we will be able to broaden or transfer the effort to community consultation. We have been discussing a potential mines ministries survey in conjunction with the World Bank, and also the possibility of repeating the present survey, every two years perhaps.

The preliminary report is due in early June.

January – March 2002

Initial points arising for MMSD's activities in this period:

- The question of the Assurance Group's role is critical;
- The regional partners favoured Option 2;¹
- The World Commission on Dams had to extend the time between its draft and final reports;
- A minimum of four regional meetings is anticipated; and
- The languages for translation of the Final Report and Executive Summary are to be decided at a later date but it was pointed out that Portuguese is important for Latin America.

Regional Partner: I'm concerned about how regional issues will be represented in the global report, national issues in the regional reports, and stakeholder issues in the national representations. The regional meetings in Option 2 are crucial and would need to be based on the global but also the regional reports as the latter will probably have the most impact at the regional level.

AG Member: We must also link local concerns to global standard setting and this can only be done through regional consultations. Hearing local concerns at meetings would be useful.

¹ See 'Options for Phase III of the MMSD Project. Paper 5'.

Derek Osborn: We should favour Option 3 as a global-level meeting in New York in March, for example, would aid a broader awareness and understanding of MMSD.

AG Member: How important will the AG be and how many additional meetings are planned?

Luke Danielson: The policy is that every piece of work will be subject to review before going into the Final Report. In most cases we would also try to have a workshop on the piece. At the September meeting the AG will be reviewing some of the report chapters; in November, the draft of the draft report; in February it will be reviewing the assimilated stakeholder comments.

AG Member: In addition to the September, November and February AG meetings are a series of workshops that do not necessarily involve members of the AG.

AG Member: The regional processes will generate their own reports and have steering committees who will review them. The November meeting will see draft report before it goes out to broader stakeholders. Regional reviews in January are important as is the regional steering committees' review of the global report.

GMI Presentation

Dave Rodier gave a presentation describing the objectives, intended participation, programme and current stage of preparation of the GMI Industry conference in May 2002.

DR: The conference is about bringing industry leaders together, discussing how to internalise work in the industry and charting a direction for the industry and its associations to progress. We hope for a broad participation and engagement, and we hope to have Kofi Annan and Thabo Mbeki to open and close the conference, respectively.

We are seeking suggestions on how best to structure the programme and ensure that the challenges for discussion are laid before company CEOs. We have scheduled the first day for workshops and meetings, to be linked into a forum. There will be an ICMM Board meeting on the last day for industry leaders to set the agenda for the new global mining industry body, following the discussions in the conference.

I emphasise that this event is only the first in a number of events which will have to take place to effect change in the industry.

FM: Some people at the regional partners' meeting perceived the GMI conference as a one-off activity and not part of the process. The conference has the potential to undermine the MMSD process if it continues to be owned by industry but portrayed as multistakeholder.

Richard Sandbrook: It should not be advertised as a multistakeholder event but as an industry event to which other stakeholders are invited as their views need to be heard.

AG Member: I'm seriously concerned about how it has been and will be portrayed in the media.

Derek Osbourne: It is imperative to contemplate and consider other events around this time, for government involvement, for example. This conference must not be the only such event.

AG Member: The objectives of the conference must be made very clear in all communications. It is important to have a good representation of stakeholders in the south. There must be a clear strategy for inviting stakeholders and for dealing with activists.

AG Member: The original conception was of a closed meeting after MMSD to discuss its results and outcomes. Will the industry have an opportunity to digest feedback from other stakeholders?

Dave Rodier: Yes, we will take on board what comes out of the conference. We will not be going in with a position; the position will evolve afterwards.

Peter Eggleston: The timing of the conference is important. Industry will not have had a complete opportunity to discuss and review the report – this will be part of the conference itself. This is not the only event and it will not take over MMSD.

AG Member: You should think about having an industry position before the conference. It is worth considering having in place some initiatives for this meeting because it will give it a lot more weight.

AG Member: This should be structured as a thoughtful industry group responding to MMSD's report, as an industry event with no bombastic rhetoric because it would devastate the entire project to have this portrayed as the industries new way of participating, following MMSD. The conference should probably be kept low key.

George Greene: To the programme I would add a closed meeting to produce an action plan for how the industry will interact with other stakeholders in the future.

Dave Rodier: We intend to have a global advisory panel to help keep us on course, with check-back processes in place.

The conference budget is \$2 million but we hope the conference will be self-financing, with registration as a large part of income.

Peter Eggleston: This conference is not intended as the MMSD launch.

Rio + 10

Luke Danielson: Key issues:

1. What role if any does MMSD at regional and global level have in the run up to the Earth Summit 2002 conference?
2. Do we have some sort of launch event for our report, as the World commission on Dams did?
3. Should we call back AG members in November 2002 to ask them to give their opinions on what has happened and what should follow?

AG Member: The AG charter is just to review the quality of the MMSD product.

AG Member: MMSD should not go beyond Rio + 10. The industry must decide how they want to make their transition after then.

Derek Osborn: MMSD must plan to be heard by other audiences and the Johannesburg Summit could be an excellent platform for this.

Regional Partner: For the final report to have a real impact at the global and regional level we need a product with a global presence but also with regional identity. Then it will be possible for each of us to influence our constituencies on who will participate in the Earth Summit.

Richard Sandbrook: Would it be a possibility for us reconvene with those regional partners who have established industry follow-up just before the Earth Summit? This might happen March-April 2002, depending on the final production of the Report.

Richard Howarth: There needs to be an awareness and clarity of the distinction between MMSD's industry recommendations for the industry conference and those for governments for the Earth Summit. What will be taken from MMSD to Johannesburg and who will take it?

Richard Sandbrook: We need to be very clear that there are going to be different recommendations in report that need different solutions.

AG Member: To go through this process and not maximise opportunities would be ridiculous so we need the process we've been through to be discussed and analysed in Rio + 10. We must ensure the quality of what we're producing does not suffer if we take on these process-orientated outcomes.

Wanda Hoskins: UNEP has been officially tasked to work with the CSD for the World Summit, providing the platform for multistakeholder industry reports through 12 sector reports. The mining sector report has not properly begun because of various problems; for example who should be the contact point on the industry side? We need to discuss how we can move it forward.

Peter Eggleston: MMSD is a catalyst for change and not about taking that change forward.

Regional Updates

AG Member:

1. Allow people in charge of the regional processes to participate in the discussion about how to feed the regional processes into the global process.
2. Look at how to involve AG members actively in the regional processes.
3. Create committees with regional steering committees and 3 members of the AG that have the mandate of discussing how the regional reports feed into global.

Luke Danielson: Some AG members do not have time to get involved in regional processes but like to be kept informed. Others are actively engaged.

Latin American Regional Processes

MMSD_{LA} held its first advisory group and national coordinators meeting in Santiago last week. There was good support from the 5 countries in the region in which MMSD is working. The main problem now is a funding project in Brazil. With the \$20,000 we have allocated at the moment we can only run one multistakeholder meeting with 20 people. To hold stakeholder meetings with each different stakeholder group will need another \$50,000.

We have quite a complete advisory group. We are presently signing contracts with the national coordinators.

Regional Reports

Comments from the regional partners:

Regional reports are to be stand-alone, independently published documents.

Content from the regional reports that is used in the global report should be reviewed by the regional partners.

In Latin America the draft report will have to be translated for regional-level discussion to take place.

The regional partners, who will live with the outcomes of the report, must ensure that the regional stakeholders' views are accurately and adequately reflected.

We need multistakeholder regional meetings between December and March to discuss the final draft reports, both regional and global. These regional meetings will also be critically important in carrying the regional processes forward post-March 2002.

How many copies of the global report are going to be published and how many of these will go to the English-speaking regions? A full Spanish publication of the report and an executive summary in Portuguese should be produced.

We pose this question to the AG, the WG and the SG: what are the contractual plans for the period December to March, given that the members of the regional workgroups need to define their future commitments? We know there may not be answers for this now, but we would like this concern registered and addressed.

December to March will include:

- Publication of regional reports;
- Multistakeholder meetings;
- Reviewing;
- Editing;
- On-going administrative work and communication (e.g. websites); and
- Preparing and monitoring the publication of the regional report and dissemination.

Assurance Group Matters

New Members

Aboriginal and communities representation to be sought

Global Update

AG Member: Within the committee structure we have now, the AG members should be able to see work which does not fall under the mandate of their committee but which is of particular interest to them, as that research is produced.

AG Member: There needs to be a major study on the need for metal, how it is used, what its substitutes are and what happens to surpluses.

Committees

1. Discuss how you as a committee would like to operate from this point forward – at next meeting and between AG meetings.
2. Discuss substance.

Committees broke off into groups and discussed the above.

Public Forum

Public Comment: Will mining certification systems introduce a potential trade barrier? If government legislation is not involved there will not be trade barriers.

Andrew Vickerman: Just because a certification system operates within the World Trade Organisation rules does not mean that it cannot still form a barrier. There is, however, a risk that disproportionate relative cost increases for small companies would be put in place a trade barrier that works against sustainable development by making it more difficult for mines in less developed countries to operate and do business.

Steve Bass: If a certification system is a truly voluntary initiative, it is not seen as being a barrier to trade. But the forestry certification system is influencing government regulation and can therefore start to look like a *de facto* trade barrier. With the Forestry Stewardship Council, the first few years of certification are having to cover all costs, and certification has so far has been seen by some as just a huge research project. But we hope the costs will go down. The system is changing the basis on which trade takes place and creating a new system of trust. A new set of players are involved with social and environmental practice. The big test will be when the WTO puts in place a panel to investigate any unwarranted barriers to trade.

Public Comment: Much of Africa is up for grabs; we see so many mergers, take-overs, junior companies coming in and selling off mining rights to majors. Are these changes being considered in the MMSD process? How do you take into account the impact of these mergers? How is certification related to the stock market?

Luke Danielson: We will look at certification of juniors but it will be difficult. There is much interest from large mining companies but smaller ones may well not become involved. We need to look at the links between sustainable development performance and stock market prices in terms of risk. Good sustainable development practice is giving better quality of risk.

Steve Bass: There is a very big difference between certification and standards which deal with local-level trade-offs around the mining operation, and those which deal with national-level benefits. This is where national sustainable development strategies come in: countries should make trade-offs at the national level. The irony is that this has not been done because people have been waiting for advice from the UN etc. It is more important to understand what the sector contributes and what systems we have at the national level to make these trade-offs and decisions.

AG Member: It is becoming very clear that different regions have very different priorities. We have to focus both globally and regionally.

Public Comment: The issue of capacity is very important. Real partnerships need to be built between developed and undeveloped countries. It is important that developing

countries are not excluded in MMSD's structure. The bottom line is that in Southern Africa mining and agriculture are the mainstays of the economy and so we cannot afford to damage the mining industry.

Public Comment: Is there any thought of replacing coal with an alternative energy source?

Luke Danielson: We made a decision not to look at coal as there are other processes going on. But we will be examining energy use in the mining sector.

Public Comment: I am concerned, after the Southern African process presentation, about the shape of the final report.

Luke Danielson: We are producing a global report and we anticipate that each of the regional processes will publish its own report. In addition to the regional reports, we will have reports on different themes.