

## F o c u s



## The end of the beginning

For sceptics outside the mining industry, it might still seem implausible that mining and sustainable development could go together. At the same time, some people within the industry believe the case for sustainable development has already been made. **Paul Mitchell** argues that reality lies somewhere between these two positions.

Workers rehabilitating a base metals extraction area. Courtesy Namakwa Sands

At the end of the 1990s, business leaders in the mining industry faced a raft of important challenges. There were significant reputation issues, with protestors campaigning against companies on their human rights and environmental records. The very ability of the industry to gain access to new reserves was at stake. Downstream markets were under threat from over-regulation. Employees were asking questions about the integrity of their companies. The cost of finance and insurance was becoming prohibitive. And the equity markets were giving little attention to the industry.

At the same time as these serious threats, enlightened industry leaders also identified opportunities. If they could distinguish themselves in the eyes of stakeholders by demonstrating that they could make a real contribution to sustainable development, it was argued, then companies could not just

protect access to reserves, markets, capital and good employees – they could, in theory, gain preferential access to these critical resources.

In an attempt to respond strategically to these trends, the Global Mining Initiative (GMI) was launched in 1999 by chief executive officers of nine of the world's largest mining companies. A two-year, independently assured research project was commissioned by the GMI in order to understand the issues in more detail.

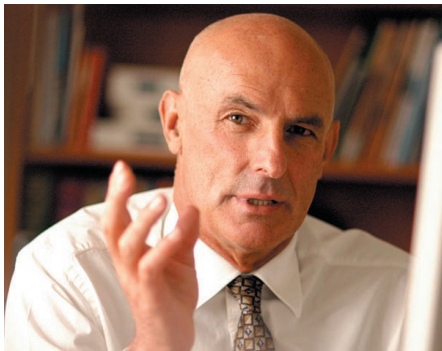
Known as 'Mining, Minerals and Sustainable Development', the project remains one of the most comprehensive attempts to articulate and respond to the sustainable development challenges across an entire industry. The project involved consultation with international stakeholders, and culminated in a 400-page report with recommendations for companies, governments and other actors.

Looking forward, the GMI recognised that industry representation required a more ambitious mandate. In October 2001, the International Council on Mining and Metals (ICMM) was created, with two distinctive features: it was CEO-led and it had an explicit mandate to improve industry performance in the area of sustainable development.

At the core of ICMM's work is the Sustainable Development Framework, adopted by all corporate members in 2003, and committing the companies to continuous improvement in health, safety, environment, human rights and community development. It also committed the companies to openness and transparency, and the mining and metals sector now produces some of the most well-regarded reports to society of any industry sector.

In addition to the Framework, the council manages a range of performance





**Heading the ICMM, Paul Mitchell is confident of continued progress on enduring sustainable development measures in the resources sector.** Courtesy ICMM

improvement projects, for example in the area of biodiversity, where it has formed a partnership with IUCN – the World Conservation Union. In 2003, ICMM members undertook a pledge not to mine or explore in World Heritage Sites. More recently, the IUCN Dialogue has provided a platform for development of a more effective position on relations with Indigenous peoples.

Beyond ICMM's work, a number of external initiatives have assisted performance improvement in the industry. At the World Summit on Sustainable Development in 2002, UK Prime Minister Tony Blair launched the Extractive Industries Transparency Initiative (EITI), in which participants publish taxes and other payments made to governments. A second initiative, the Voluntary Principles on Security and Human Rights, was launched by the US and UK governments collaborating with key NGOs in 2000. It provides clear guidance on operating in areas where conflict is a risk. ICMM members are strong public supporters of both these initiatives.

It is for all of these reasons that some people within the industry believe that the case for sustainable development has already been made. However – to paraphrase Winston Churchill – the mining sector is only at 'the end of the beginning' of this journey.

Down the road, two factors could restrict further progress. First, new mining investments are increasingly shifting to less developed parts of the world, where the challenges and opportunities are more pronounced than in rich countries. Second, it is becoming clear that companies are reaching the limit of what they can contribute to sustainable development

working individually – new forms of collaboration are necessary.

In the case of environmental impacts, tougher regulation and environmental management by companies has mitigated many problems, including air and water emissions. Despite this, mining – particularly the open cast variety – invariably affects landscapes and habitats. As companies mine increasingly remote areas, maintaining biodiversity becomes a more critical issue.

Another concern facing companies as they move into undeveloped areas is the 'resource curse' theory, which suggests there is an inverse correlation between a country's mineral wealth and its economic success. An ICMM study<sup>1</sup> of 33 mineral-dependent countries showed that slightly less than half of the countries performed poorly against a range of socio-economic indicators.

Managing the large fiscal revenues that mining brings can prove economically and politically challenging. However, the potential economic benefits of mining are clear: in some countries, mining has provided a critical economic boost in the early stages of development. For example, between 1990 and 2003, in Chile's Antofagasta region – a major mining area – poverty fell by 60%. ICMM's work in this area is looking to



**Rehabilitating a tailings dam in Papua New Guinea.** Freeport – McMoran Copper and Gold, PNG

identify why some mineral-rich countries, such as Australia, have been more successful than others, and what companies, governments and others can do to increase the chances of economic success.

The role of governments is clearly more important than that of companies in ensuring the revenues from mining contribute to, rather than distort, economies. In Peru's Cajamarca region, for example, revenues to local governments have leapt to levels that dwarf normal

government budgets, due to mining transfers. The municipality had revenues of US\$2.8 million in 2004; in 2005 they received US\$16.4 million in mining transfers alone. But the key issue is to ensure that such small local authorities have the capacity to use these funds effectively for broadly based and sustainable community development.

More effective partnerships between states, companies, civil society and development agencies can improve the capacity of local and regional public agencies to manage the revenues flowing from mining activities. And at national and international levels, partnerships can further strengthen commitments to human rights and transparency.

The contribution that mining companies can make to sustainable development will be decided more and more by these partnerships, although civil society organisations and governments also have the potential to obstruct progress. However, if some NGOs continue to issue blanket condemnations against all firms, or, worse still, target high-profile companies because of their media appeal, then questions about the merits of greater sustainable development investments will arise within companies.

Similarly, if governments continue to pay no heed to the transparency commitments of leading firms, or fail to enforce environmental regulations uniformly across the sector, this too will surely trigger doubt within companies about the merits of working hard on more progress.

The next stage of the sustainable development journey may prove to be at least as challenging as the journey so far, but it is clear there will be no room for a reduced commitment by companies, and other participants in the sector will have an increasingly important role.

*Paul Mitchell is Secretary General of the International Council on Mining and Metals, a not-for-profit organisation established to direct the mining sector in sustainable development initiatives and improve industry performance.*

#### More information:

ICMM: [www.icmm.com](http://www.icmm.com)

ICMM Sustainable Development Framework: [www.icmm.com/sd\\_framework.php](http://www.icmm.com/sd_framework.php)

Global Mining Initiative: [www.icmm.com/gmi.php](http://www.icmm.com/gmi.php)

Extractive Industries Transparency Initiative: [www.eitransparency.org](http://www.eitransparency.org)

1 ICMM's Resource Endowment project, see [www.icmm.com/library\\_pub\\_detail.php?rcd=189](http://www.icmm.com/library_pub_detail.php?rcd=189)