

Attracting Foreign Direct Investment in Mining:  
**The Role of Reliable Environmental  
Frameworks and Competent Institutions**

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# Overview

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- ❑ Why environmental issues matter to investors
- ❑ Thinking innovatively about institutions
- ❑ Environmental Protection – Instruments and Institutional Approach
- ❑ Good Practice Country examples:
  - ❑ Peru – Mining Ministry takes the lead
  - ❑ Argentina – Federal system
  - ❑ Papua New Guinea – Mining Development Contract
  - ❑ Romania – Mining Law enhances the Environmental Law
  - ❑ Poland - Compliance Criteria plus Fee based system
- ❑ Role of the World Bank Group
- ❑ IFC experience: working with the Private Sector
- ❑ Defining Environmental Roles and Responsibilities

# Why would environmental issues matter to foreign investors?

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- ❑ Important: Environmental risks have steadily grown over the past decade
- ❑ Limited: What mining firms can do - by themselves – in managing environmental risks is important but limited
- ❑ The driving force: Financial success for mining firms is increasingly linked to environmental competence
- ❑ Comfort to Investors: Competent and reliable environmental laws, regulations, and institutions

Sound environmental management in mining sectors of developing countries is a key competitive asset

# Innovative approaches matter: building institutions for environmental management

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- ❑ Most countries are on their way: National Environmental Action Plans and other strategic approaches
- ❑ “Getting it right” is the key challenge: Building competent institutions to implement rules and regulations
- ❑ Limits in resources call for innovative solutions: Many countries are beginning to find their own best approach
- ❑ Beyond “getting it right”: Global issues move to the foreground - Biodiversity and Global Warming

Each country will need to find its own definition for responsibilities and tasks for environmental management

# Environment Protection Instruments and Institutional Approach

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- Instruments (cover whole mining life cycle and transportation/storage of hazardous materials & waste)
  - National/Regional Environmental Policies**
  - National Environmental Action Plans (NEAPs)**
  - Regional Planning/Land Use Planning**
  - Environmental/Water and Mining Laws and Regulations**
  - Standards and Monitoring/Verification Procedures**
  - Standards plus Environmental Fee based system**
  - Environmental Impact Assessments; Management Plans/Audits**
  - Mine Closure Plans and Post Closure Monitoring**
  - Social Impact Assessments and Social Mitigation Plans**
  - Disclosure/Consultation/Participatory Decision Making**
  
- Integral Approach - Environmental Ministries and Agencies
- Sectoral Approach - Mining Ministries and Agencies

# Peru

## Where the Mining Ministry takes the lead

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- ❑ Strong mining tradition
- ❑ Weak environmental capability
- ❑ Much of environmental capability located in Mining Ministry
- ❑ Strength – knowledgeable and pragmatic approach to environmental protection
- ❑ Concern – lack of independent monitoring and enforcement

# Argentina

Where a federal system can help

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- ❑ Federal system where provinces have significant responsibility for licensing and environment protection
- ❑ National Mining Environmental Law enacted
- ❑ Environmental monitoring system established ( with before and after data base)
- ❑ Capacity building for key provinces to strengthen principal environment agencies

# Papua New Guinea

## The Role of “Mining Development Contracts”

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- ❑ Small country
- ❑ World class mining projects
- ❑ National Environmental & Water Laws and regulations
- ❑ “Development Forum” to approve new mining projects
- ❑ Mining Development Contract signed with the Government
- ❑ “Coordinating” role of Department of Mines
- ❑ Monitoring of environment by Department of Environment and Conservation
- ❑ Moving beyond environment protection to “Sustainability” in terms of community sustainability after mine closure

# Romania

## The Mining Law enhances the Environmental Law

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- ❑ National Environment Legislation
  - ❑ **Standards in ordinances**
- ❑ Additional provisions in (draft revisions to) Mining Law,
  - ❑ **social impact assessment and consultation; mine closure including funding; post closure monitoring,**
- ❑ Environmental policy and legislation
  - ❑ **Under Ministry of Waters and Environmental Protection (MoWEP)**
- ❑ Environmental permitting, monitoring and enforcement
  - ❑ **Under MoWEP Territorial Inspectorates**
- ❑ Administrating the mining law
  - ❑ **Under National Agency for Mineral Resources (regulator)**

# Poland

## Compliance criteria plus fee-based system

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- ❑ National Environmental Law
- ❑ Ministry of Environment – policy role
- ❑ Independent Regional Inspectorates for Environmental Protection - monitoring and enforcement role
- ❑ System of pollution fees linked to environmental compliance criteria plus fines for non-compliance
- ❑ Challenge of enforcement with loss making state coal mining companies
- ❑ When privatizing - set rules; address environmental legacy

# The World Bank Group

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**IBRD**

✓ Finance reform/development projects



**IFC**

✓ Lend for/invest  
in private projects

**IDA**

✓ Finance for the  
poorest countries

**MIGA**

✓ Guarantees against country risk

# The World Bank Group can help in attracting foreign direct investment

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## **Support to Developing Country Governments**

### **Environmental ministries & agencies**

- ✓ **National Environmental Action Plans**

- ✓ **Legislation and capacity building (involving stakeholders)**

### **Mining ministries & agencies**

- ✓ **Legal and fiscal frameworks**

- ✓ **Social and environment frameworks (inc SEAs)**

- ✓ **Capacity building**

- ✓ **Funding for mine closure and reclamation**

### **On Global Environmental Issues**

- ✓ **the Global Environmental Facility (GEF)**

## **Support to Private Sector Investors in Developing Countries**

- IFC: Project Finance and Advice on Environmental Issues**

- MIGA: Political Risk Assurance**

- IBRD/IDA: Guarantees**

# The World Bank Group in the Mining Sector: Organized to work seamlessly with all partners

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**Government  
Role**

- ✓ **Sovereign Loans**
- ✓ **Advisory Services**
- ✓ **Partial risk guarantees**
- ✓ **Direct project loans**
- ✓ **Loan syndications**
- ✓ **Mezzanine financing**
- ✓ **Equity participation**

**Private  
Sector  
Role**

# Our experience in the Mining Sector: Learning about Partnerships

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## Mining Firm

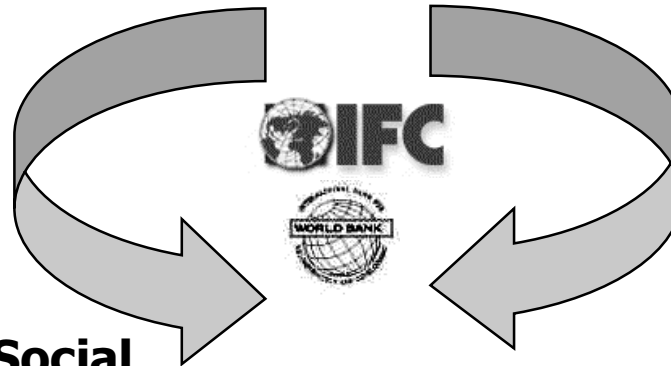


- ❑ Environmental / Social Assessments
- ❑ Public Information & Transparency
- ❑ Investments in social / physical Infrastructure
- ❑ Becoming a “partner”

## The Government



- ❑ Environmental and Social Frameworks
- ❑ Monitoring and Enforcement
- ❑ Becoming a “partner”



## The Community



- ❑ Active Involvement
- ❑ Capacity building
- ❑ Becoming a “partner”

# Our experience with mining firms: Environmental and Social Issues - Strategic for Investors

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Environmental and Social Issues: The earlier the better

- Early incorporation of environmental and social assessments and management procedures in project structuring**
  - More flexibility for investors**
  - Better projects, quicker closure and lower costs**
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- Our private sector clients in the mining industry
    - Environmental and social issues strategic for business development**
    - Reduced cost from better community relations and environmental management**
    - Reputational advantages**
    - .. In general a reflection of what more and more companies around the world appear to think**

# Wherever the World Bank Group works: Our Safeguard Policies

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- ❑ Environmental Assessment
- ❑ Natural Habitats
- ❑ Pest Management
- ❑ Indigenous Peoples
- ❑ Cultural Property
- ❑ Involuntary Resettlement
- ❑ Forestry
- ❑ Safety and Dams
- ❑ International waterways

Source: [/www.worldbank.org/environment/op\\_policies](http://www.worldbank.org/environment/op_policies).

# Who should do what?

## Defining Environmental Roles & Responsibilities

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- ❑ Governments – strategic direction; setting and enforcing rules
- ❑ Private sector – project operation; compliance with rules; information disclosure and consultation; good practice
- ❑ Local Communities – active role understanding and influencing both commercial and small-scale mining; using benefits wisely
- ❑ Civil Society (CBOs & NGOs) – advocates for change; environmental guardians; delivery of social services etc.; administrators of trusts

# Who should do what?

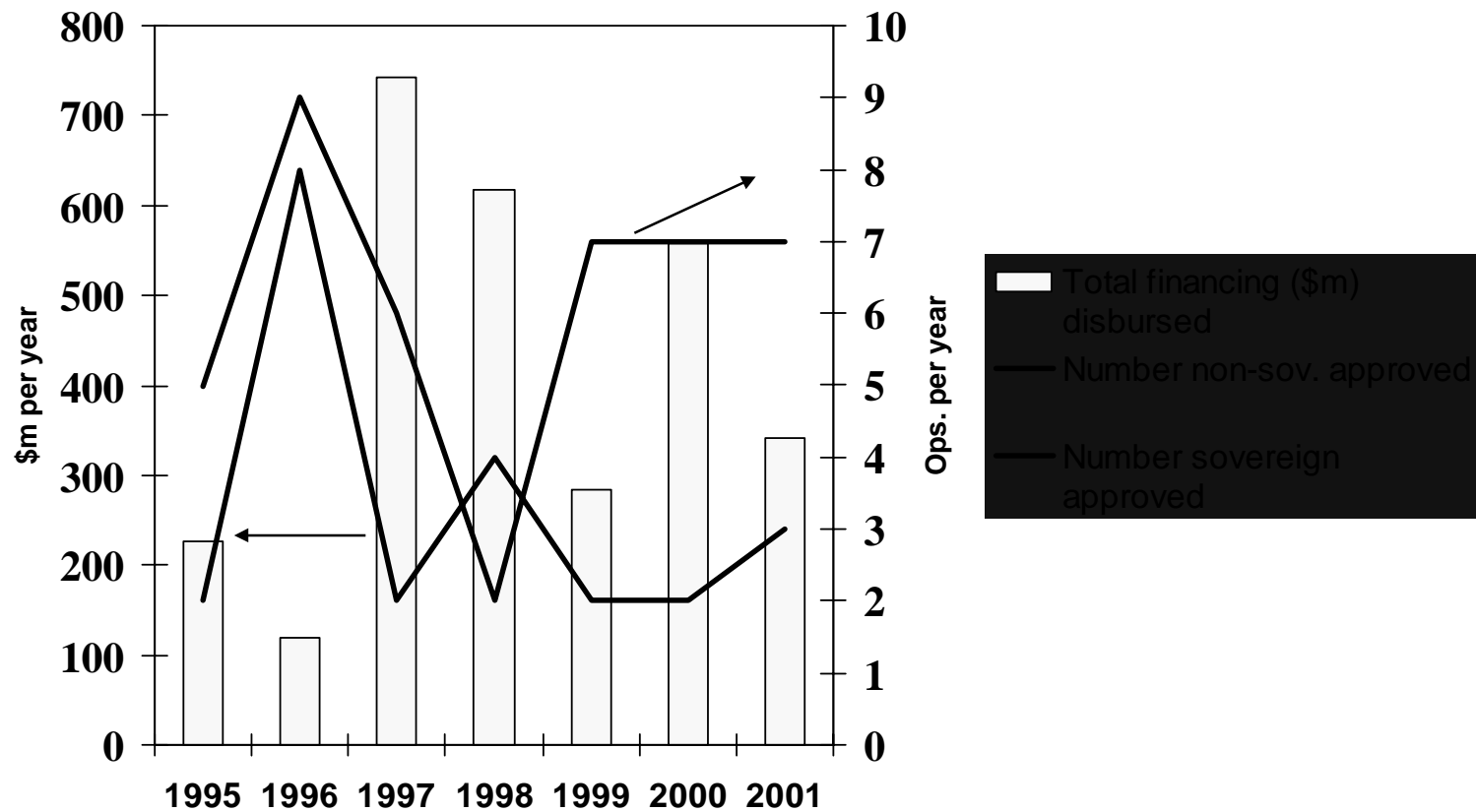
## Defining Environmental Roles & Responsibilities

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- ❑ Development Agencies - support sector reforms; advise on environmental and social frameworks; disseminate good practice
- ❑ Bilateral Agencies - capacity building & training; project co-financing (with environmental requirements)
- ❑ Private/Public Partnerships – environmental monitoring; social services; infrastructure
- ❑ Codes and Guidelines – voluntary agreements; codes of conduct; good practice guidelines



# World Bank Group Mining Business\*



\*Excludes MIGA Political Risk Insurance and Advisory Services