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THE WORLD BANK

Washington, D.C.

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PUBLIC DISCLOSURE AUTHORIZED

Meeting: Environmental Oversight
and Voluntary Guidelines

Monday, July 14, 1997
11:00 a.m. - 12:30 p.m.
MC 11-127 Conference Room

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President Wolfensohn - Briefings Books for Presidents Meetings - Meeting Material
Environmental Oversight and Voluntary Guidelines - July 14, 1997

Archive Management for the President's Office

Document Log

Reference # : Archive-01560

12/85

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A. CLASSIFICATION

☒	Meeting Material
☐	Trips
☐	Speeches

☐	Annual Meetings
☐	Corporate Management
☐	Communications with Staff

☐	Phone Logs
☐	Calendar
☐	Press Clippings/Photos

☐	JDW Transcripts
☐	Social Events
☐	Other

B. SUBJECT: MEETING: ENVIRONMENTAL OVERSIGHT AND VOLUNTARY GUIDELINES (B) (N)

VENUE: MC-11-127 (CONF. RM.)

CONTACT: HANS-MARTIN BOEHMER @ 34286

IN ATTENDANCE: JDW, EXCOM MEMBERS: KAJI, KOCH-WESER, SANDSTROM, {EINHORN-not attending}, SHIHATA, ZHANG, LINDBAEK, IIDA, BERRY, STRONG, MMB, STIGLITZ, K. NAMEL (FOR BAIRD-on annual leave), WOOD, CONRAD, MCARTHUR (as & when available); OTHERS: SERAGELDIN, STEER, PASQUIER, RACZYNSKI, HANS MARTIN BOEHMER

AGENDA TOPICS:

1. OFFICE OF ENVIRONMENTAL AND SOCIAL OVERSIGHT
2. VOLUNTARY SOCIAL AND ENVIRONMENTAL GUIDELINES
3. GLOBAL CARBON INITIATIVE

NOTE: THIS REPLACES THE VP MEETING ORIGINALLY SCHEDULED FOR 7/14

- CANCELANATION EMAIL SENT ON 7/2

(B) BOEHMER COORDINATING: BY SERAGELDIN/PASQUIER/STEER // DUE WED. JULY 9

EXC: MM // LFG (7/2)

Brief includes note to Mr. Wolfensohn from Caio Koch-Weser, dated July 11, 1997, "Re: Office of Environmental and Social Oversight - The Carbon Investment Fund Voluntary Environmental and Social Guidelines" and tabs:

- Estimated Workload, Mode of Operation, Budget, Recruitment Plans
- 06/26/97 Note to JDW from Caio & Jannik
- The Carbon Invest. Fund
- Concept Note
- Key Issues to be Addressed at EXCOM
- Preliminary Outline on Budget
- Communication with Stakeholders

DATE: 07/14/97

C. VPU

Corporate

☐	CTR
☐	EXT
☐	LEG
☐	MPS
☐	OED
☐	SEC/Board
☐	TRE

Regional

☐	AFR
☐	EAP
☐	ECA
☐	LAC
☐	MNA
☐	SAS

Central

☐	CFS
☐	DEC
☐	ESD
☐	FPD
☐	FPR
☐	HRO

Affiliates

☐	GEF
☐	ICSID
☐	IPC
☐	Inspection Panel
☐	Kennedy Center
☐	MIGA

D. EXTERNAL PARTNER

☐	IMF
☐	UN
☐	MDB/Other IO
☐	NGO
☐	Private Sector

☐	Part I
☐	Part II
☐	Other

E. COMMENTS:**File Location**☒ EXC☐ IISC☒ Archives**Cleared By**

Marisela Montoliu

Date:

07/15/97

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The World Bank
Washington, D.C. 20433
U.S.A

Caio K. Koch-Weser
Managing Director

July 11, 1997

Mr. James D. Wolfensohn

Jim,

Re: Office of Environmental and Social Oversight
The Carbon Investment Fund
Voluntary Environmental and Social Guidelines

During our meeting of June 27, 1997, we had discussed a preliminary proposal for the establishment of the Office of Environmental and Social Oversight. We had agreed to come back for a decision in Mid-July based on a more detailed elaboration of the work program, staffing, and recruitment plans. Please find attached a memorandum from Andrew Steer and Andreas Raczynski detailing those plans. For your reference, you will also find the previous memo of June 26 attached. Based on those notes, a decision could be taken now that would allow us to move ahead quickly with recruitment and setting-up of the Office.

Also attached is a brief update on the Status of the Carbon Investment Fund. It serves as a basis for discussion on the next steps and our proposal to present the GCI to the Bank's Development Committee during the Annual Meetings in September.

Furthermore, please find attached a Concept Note on Voluntary Environmental and Social Principles and Guidelines for Investment in Emerging Economies. This concept note has been developed by the PSD Group after consultations with Industry Groups and others. It raises several important issues that merit discussion before committing the Bank to further steps.



Attachments

cc: Messrs./Mmes. Baird, Berry, Conrad, Einhorn, Frank, Iida, Lindbaek, Malloch Brown, McArthur, Sandstrom, Shihata, Stiglitz, Strong, Wood, Zhang, Serageldin, Raczynski, Steer, Pasquier, Assaad, Anstey, Boehmer, Montoliu Munoz

Ans

① Accompanied by some form of committee
(now informal consultative process)

② Importance of Transparency - full access
is critical - Can raise issues even
before sign off -

③ Budget - focused cost in changes to
this spec - Cost of independent panels -
- Diff. to Budget

④ Idea of a Permanent Panel - should be
revisited -

⑤ Singapore - Perception needs internally & externally
- A structure inside the Bank system for better
DEZ / Public relationships



Record Removal Notice

File Title President Wolfensohn - Briefing Book for President's Meetings and Events - Environmental Oversight and Voluntary Guidelines - July 14, 1997		Barcode No. 30488256		
Document Date July 10, 1997	Document Type Memorandum			
Correspondents / Participants To: Messrs. Caio Koch-Weser, MDOMD & Jannik Lindbaek, CEXVP From: Andrew Steer, Director, ENV & Andreas Raczynski, Director, CTE				
Subject / Title Office of Environmental and Social Oversight: Estimated Workload, Mode of Operation, Budget and Recruitment Plans				
Exception(s) Corporate Administrative Matters				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 18, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 18, 2025
Withdrawn by Diego Hernández	Date June 18, 2025			

06/26/97 Note to JDW
from Caio & Jannik

The World Bank Group
Washington, D.C. 20433
U.S.A

CAIO K. KOCH-WESER
Managing Director, Operations

JANNIK LINDBAEK
Executive Vice-President, IFC

June 26, 1997

Mr. James D. Wolfensohn

Jim,

Re: Office of Environmental and Social Oversight

Attached is an outline of the concept, proposed role and organization of the new Office. After our discussion on Friday, we propose to move aggressively to firm up the detailed terms of reference, work program, staffing and recruitment plans. We will then come back to you with a decision memorandum for discussion in mid-July.

Also attached is a chart showing the positioning of the new Office and the broad role of the ESSD network. This Bank-Group-wide network will be the other important component of a stronger and more credible environmental organization. The network will ensure harmonization and consistent application of policies and guidelines, and facilitate access to Bank Group expertise for all environmentally- and socially- sensitive Bank, IFC and MIGA projects.

Caio
6/26

Attachments

cc: Messrs./Ms. Einhorn, Frank, Iida, Kaji, McArthur, Sandstrom, Shihata, Strong

OFFICE OF ENVIRONMENTAL AND SOCIAL OVERSIGHT

Rationale

As the World Bank Group assumes greater leadership in addressing environmental and social issues it is vital that our procedures and performance are of the highest standard. Toward this end, a number of structural changes are proposed, including the harmonization and consistent application of environmental and social requirements across the Bank Group, the creation of a Bank Group-wide environmental/social professional network and the establishment of an independent Office of Environmental and Social Oversight (OESO) reporting to the President. These changes are intended to enhance the quality, effectiveness and credibility of Bank Group operations from an environmental and social standpoint, improve compliance with Bank Group policies, and assure the President that every effort is being made to manage sensitive projects.

The World Bank Group has an important role in financing sensitive projects and ensuring that their environmental and social issues are adequately addressed. Sensitive projects often involve trade-offs and raise controversies between those responsible for the development of the host country and those who see it as their role to protect the local and global environment. Bank Group policies provide important guidance for these projects but they can never be precise. Their application requires professional judgment, which, in turn, can lead to controversy and debate. The OESO would reinforce the existing Bank Group's ability to deal with such situations through provision of additional guidance and resources, to ensure that projects receive the level of internal attention and external explanation that they deserve.

The OESO, should be led by a person of recognized prestige and expertise, and by being independent from the operations, it would add an important element of internal and external credibility to the work of the Bank Group.

Role and Responsibility

The main role of the OESO would be to focus on Bank Group projects under preparation, implementation, and operation that are identified as being especially difficult or challenging from an environmental and/or social perspective. For the most part, these are likely to be operations requiring full environmental assessment (Category A projects) and/or involving significant involuntary resettlement or impacting vulnerable groups. The work of the proposed Unit, therefore, would be directly guided by the requirements of the relevant Bank Group policies (especially OP/BP 4.01, 4.04, 4.07, and 4.36 and OD 4.20 and 4.30).

More specifically, the Unit would:

- Provide guidance to operational units in the development and consistent application of selection criteria for the Project Alert System and maintain the "Acute List" of controversial or high risk projects.
- For particularly sensitive projects and/or at the request of the President and/or of Operational Units, provide a review and advisory function to ensure that the operations in question comply with the more stringent of World Bank Group or host country policies and guidelines. This may involve organizing internal or external review panels to seek a view on international best practice for particular project issues. This activity may occur at any time during a project's life, including the operational (i.e., post-disbursement) phase.
- Advise the President on policy and procedural issues to ensure that all Bank Group operations meet essentially identical requirements with variations only reflecting different clients and project cycles. Bank Group operations would continue to be responsible for drafting and approving environmental and social policies and procedures, but the OESO would review such policies and provide advice as to their applicability in specific situations and projects.
- Assist EXT, Operational Management, IFC and MIGA in responding to external queries and concerns in relation to specific sensitive projects.
- At the request of the President, the Executive Committee or Bank Group Senior Management, undertake audits of selected operations to ensure compliance with relevant environmental and/or social policies and procedures.
- Advise the President on other environmental and social issues, in particular, on the adequacy of resources applied by the Operational Units to environmental and social work.

Mode of Operation

The primary objective of the OESO would be to oversee compliance with Bank Group operational policies and to enhance the credibility of the Bank Group. Thus, it would not substitute for existing environmental and social procedures in the Regions, IFC or MIGA, nor add another layer of "sign-off" bureaucracy. It should, however, help empower task teams to proactively address project-related environmental and social issues and induce managers to deploy the necessary resources. When appropriate, members of the OESO could join project missions to obtain information directly from the field and, in exceptional cases, organize special fact-finding missions.

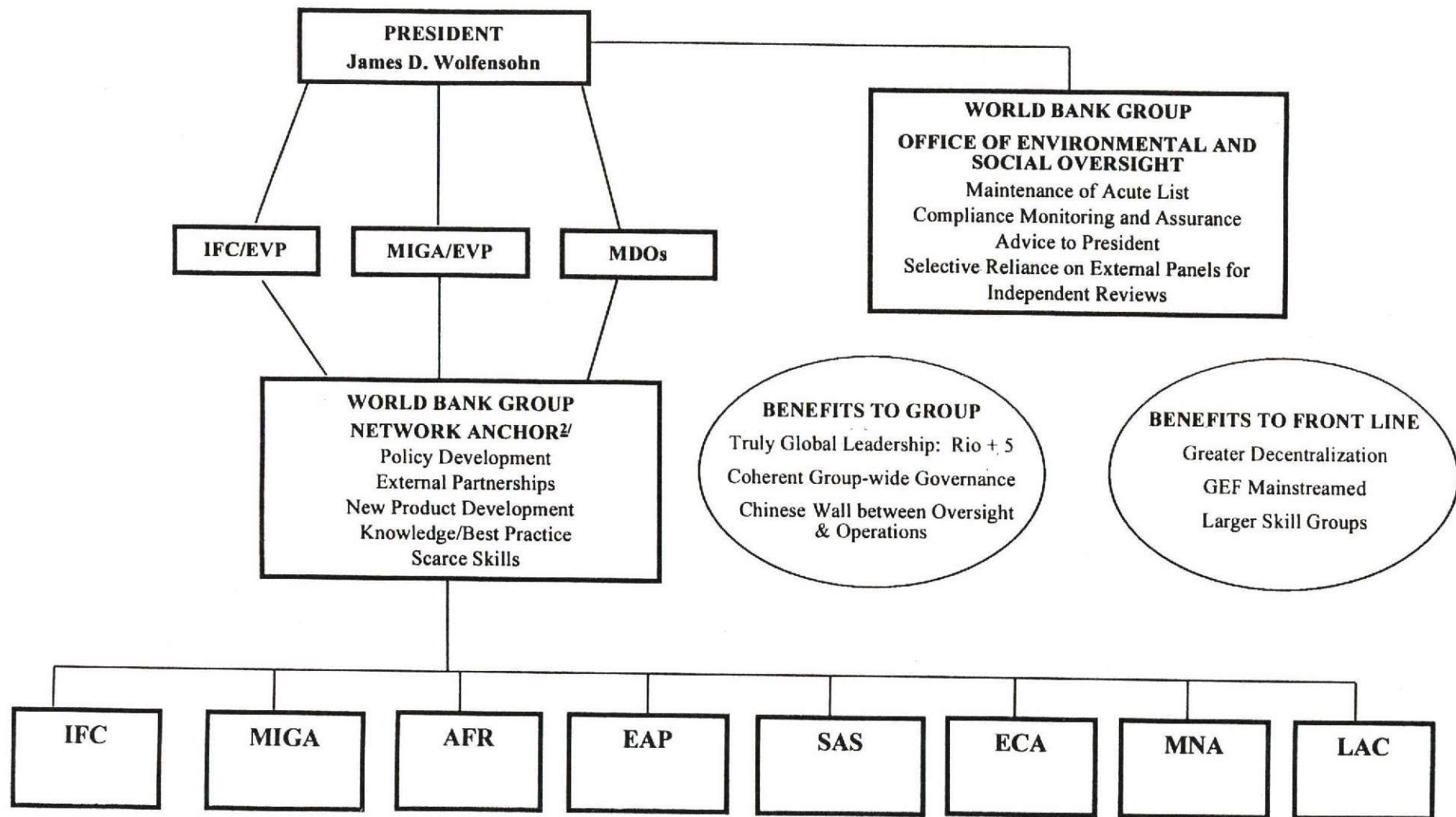
Staffing and Management

The OESO will report directly to the President. It would consist of the Head and about four to five seasoned professionals in the areas of environmental and social assessment. The Head of OESO would be a person of international prestige with broad experience in development issues and exposure to the difficult trade-offs and decisions involved in addressing environmental and social issues. The composition and recruitment of the professional complement would be determined by the Head of OESO but is likely to include external recruits and Bank Group staff seconded to OESO.

Evaluation of Effectiveness

The effectiveness (and costs/benefits) of the Unit in terms of improving compliance with Bank environmental and social policies would be evaluated independently after a period of two years.

World Bank Group Environmental and Social Governance^{1/}



^{1/} Social coverage is limited to resettlement issues.

^{2/} Network also includes Rural Development family, which does not cover IFC and MIGA.

The Carbon Investment Fund

Status and Recommended Next Steps

In February, 1997, Mr. Wolfensohn tasked the Environment Department with (1) obtaining feedback on potential support for the proposed Carbon Investment Fund (CIF); (2) further development of the legal framework for a CIF; (3) obtaining pledges (MoUs) of support for the CIF; and (4) making progress on methodological issues and on certification and verification of carbon offsets.

Feedback from key OECD and G77 Countries on the Bank's GCI

Bank teams have briefed senior representatives, and often Ministers themselves, in 20 key OECD and G77 countries, and briefings are planned for additional countries over the next weeks. Six Executive Directors have also been briefed.

Response from Governments:

- **Norway and Switzerland** have signed a Memorandum of Understanding (MoU) with the Bank indicating their intention to participate in the GCI;
- **Sweden and the Netherlands** are discussing the signature of similar MoUs. Additional countries, including **Finland, Japan and Germany**, may decide to participate during the next few months;
- We already have an investment interest in the range of \$40 - 70 million financing in the initial CIF;
- The USA is very supportive of the GCI/CIF;
- **Russia, the Czech and Slovak Republics** are embarking on strategic analyses of their options for participation in the GCI with Bank assistance and additional strong interest in participation has been expressed by **Poland, Hungary, Kazakstan, Uzbekistan and Ukraine**.
- **India and China** have been cautiously receptive to the product in early discussions; a new mission to Asia is planned for August, including a possible mission to China;
- **Costa Rica** and other Latin American countries are also very supportive; **Costa Rica** is promoting emissions trading in LAC region countries and launching its own tradable emissions certificates;
- **Brazil** hosted a workshop to review Joint Implementation activities and be briefed on the Bank's GCI;
- **Mexico** invited the Bank to brief several Ministries in late June with positive responses.

Feedback from business

The GCI has been presented to around 10 private companies in 5 countries. We are confident that we will be able to raise at least \$30 - 50 million from these companies.

- **Statoil**, a Norwegian oil company and **VTZ**, a Swiss financial management company, have already signed MoUs with the Bank;
- Additional MoUs with the Norwegian utility **Naturkraft**, and other Danish, Swedish and Dutch companies will probably follow within a couple of months;
- In addition to these, we have had initial discussion with **German, Japanese and US** companies;
- The GCI has received strong support from the **World Business Council for Sustainable Development**, with the possibility of future investment in the Fund.

Development of legal framework and methodological issues

- Preliminary findings of the legal working group, headed by LEGEN, and with participation from ENV and IFC, indicate that the initial fund could be either set up as a regular Bank trust fund under existing rules and regulation or as a special purpose vehicle.
- The GCI has developed an approach paper on the methodological issues, outlining realistic and practical solutions to the main challenges. We expect to develop practical guidelines for handling the methodological issues in individual projects.

Related Product Development

A second product line of Carbon Free Products is being developed and have led to negotiations on business partnerships with Chevron and the International Federation of Automobile Associations.

Next Steps

- ECA has mobilized resources for a study in the **Czech and Slovak Republics and Russia**.
- Consultations with **Poland and Hungary** are currently undertaken. A visit to **Russia** is scheduled for July.
- A mission is being prepared for **South Africa and Zimbabwe** in late July;
- Proposals are being prepared for **DEC** to prepare two studies on methodological issues.
- A working group for methodological issues will be established in the next few weeks.
- We have invited interested investor parties to participate in a **consultative group** that will meet for the first time in September. This group will discuss the design issues of the Fund. During the next months, we will set up a similar process towards host countries and external public (NGOs).
- Robert Watson will brief **Ambassador Estrada**, as chair of the UNFCCC on the GCI in mid-July.
- Continued efforts are being made to seek the political support of the **GEF** on the technical and higher levels.
- We are initiating efforts seeking collaboration with the private sector, i.e. **BP** and utilities.
- A **Business Plan** for FY98 is currently being finalized and will be ready for distribution in early August.
- Given positive results in Kyoto, we expect to be able to establish the first Fund based on our consultations thus far in early 1998 with a capitalization of 100 million USD from both governments and private sector.

Recommendations

In order to maintain the momentum of the current work program and to initiate even greater support amongst our stakeholders, we would like to suggest that the GCI be presented to the Bank's Development Committee during the Annual Meetings in September. In order to do so, the GCI would have to be presented before the Board of Directors this August. Such a strategy will increase the visibility, and strengthen the impact of the Initiative. Furthermore, the increased visibility and support received from such a presentation, will pave the way for an advantageous outcome in Kyoto.

The recommendations above could proceed according to the following schedule:

Paper prepared and distributed to the Board by the end of July

Board presentation at the end of August

Paper prepared and distributed to the Development Committee in early September

Presentation to the Development Committee during the Annual Meetings - September 22, 1997

Voluntary Environmental and Social Principles and Guidelines for Investment in Emerging Economies

CONCEPT NOTE

The Bank Group's increasing attention to environmental and social issues and the growing efforts to establish a productive dialogue with its clients and stakeholders is paying off. As a result, confidence in the way the Bank (IBRD/IDA) addresses environmental and social issues in public sector financed projects has improved. IFC and MIGA are moving to establish the same level of understanding with NGOs concerning private sector financed projects.

The Challenge. This progress notwithstanding, the Bank Group is currently caught in between two diverging trends. First, we are currently operating in an environment where we are no longer the main player in financing terms, as the rapid rise of private investment over the last four years has reduced our share of aggregate long-term resources flowing to developing countries (to about 15% of aggregate capital flows). As our clients have an increasing range of alternative sources of funding, it is becoming more and more difficult for us to enforce our conditions unilaterally and support environmentally and socially sustainable development. Second, NGOs and civil society have made headway in their ability to monitor Bank Group supported projects, and their enforcement of our performance has become more rigorous. NGOs have also increased their capacity to mobilize public opinion on a world wide basis.

In recognizing the growing importance of private capital flows to emerging markets and the increased scrutiny from NGOs and civil society at large under which it operates, *the Bank Group's challenge is to re-examine the basis upon which it enforces its own conditionality, while helping to ensure both the predictability of the global investment climate and that private investment is environmentally and socially sustainable.* Achieving sustainable development, and becoming a *Knowledge Bank*, will therefore increasingly require that we expand our influence beyond the narrow scope of our financial reach, and play a role in influencing the behavior of domestic and foreign private investors. We need to "upscale".

Strategy. Because of its unique relationship with a diverse group of public and private stakeholders, the Bank Group is in a good position to facilitate a dialogue among governments, the private sector and NGOs on environmental and social guidelines and practices to ensure that private sector led development will proceed on a sustainable basis. Such an initiative would complement the Bank Group's on-going strategy to promote sustainable development: at the country level, the Bank assists government clients (through loans and TA) in improving environmental regulations and their implementation; at the global level, the Bank is developing guidelines for pollution prevention and abatement; at the level of individual corporations, the Bank Group, in partnership with NGOs such as PWBLF, is involved in the dissemination of best practices. Acting as an honest broker in a sector by sector consultative process with key stakeholders (government, the private sector, NGOs, and others) with the objective of developing agreed upon environmental and social principles and

guidelines for foreign direct investment would add an additional dimension to our environmental work. The Bank Group's role would not entail either monitoring compliance or enforcing the principles or guidelines which emerge from this process - except to the extent which they are incorporated into the Bank Group's existing guidelines applicable to projects receiving Bank Group financial support.

Benefits for the Bank Group. The policies and practices that the Bank Group has developed in the environmental and social areas, and the type of conditionalities that are attached to the projects supported by the Group, are an important element of this initiative. If this process was successful in having other stakeholders embrace the same set (or a similar set) of policies, guidelines, and conditionality, the initiative would effectively become a vehicle to leverage our environmental and social conditionality to a much broader volume of projects and financial flows in our client countries. It would also facilitate the acceptance and enforceability of the Bank's own conditionality with its clients. This process may contribute to change the posture of the Bank Group on sustainable development issues from defensive to pro-active. The Large Dams initiative constitutes a good example of how such a participatory approach can yield positive results for all parties involved.

Stakeholders. An informal dialogue with the potential participants of this initiative since June 1996 shows that there is cautious encouragement for the Bank Group to play a central role in developing voluntary principles and guidelines. Some industrial sectors see potential in this initiative both because it could contribute to a more stable and predictable investment climate in developing countries, and because "good corporate citizenship" is becoming a key concern of a growing number of multinational corporations. Other business organizations have expressed reservations about the initiative on the ground that a large number of guidelines already exist, that these tend to become embedded in legislation and create new layers of regulations, and, more generally, that it is inappropriate to "negotiate" anything with NGOs (see attached correspondence from U.S. Business Council). Bankers and institutional investors, on the other hand, are supporters of this initiative not only because it would improve the odds that their clients/partners are adhering to sound principles and guidelines in a cost-effective fashion, but because it would reduce the probability of being involved in potentially damaging controversies. While such a consultative process would in principle respond to the NGOs agenda of partnership for sustainable development and give them an opportunity to influence the behavior of the private sector, reactions have been mixed. Some NGOs have expressed support (including organization such as IUCN, National Wildlife Federation, Conservation International), while others feel that the Bank Group's past record on environmental matters is hardly good enough to allow it to play the role of honest broker (see attached correspondence). For the governments, the resulting principles and guidelines would be a welcome complement to their own environmental and social efforts, while assisting them in selecting potential investors. This exercise would help to strengthen the capacity of governments to enforce *existing* regulations, as well as provide governments with strong incentives to adhere to the *resulting* mutually understood and agreed upon principles and guidelines.

Proposal. There are four broad sectors in which the need for self-regulation is becoming acute: natural resources (forestry/pulp/paper, mining, oil and gas, large agribusiness), industry (petrochemical, cement, steel), infrastructure (power and transportation), and tourism. The creation of a forum for open discussion among stakeholders would initially focus on selected sectors where concerns have been identified and where guidelines already exist. Rather than competing with the large number of national and international codes of conduct, charters and guidelines that already exist, including those established by the International Chamber of Commerce, Keidanren, the OECD investment guidelines, and others, the consultative process would aim to build upon them.

The International Council on Metals and the Environment (ICME), a non-profit organization grouping many of the largest mining companies, has expressed its interest in this initiative (correspondence attached). While we would begin with the mining sector on a pilot basis, the prospects of developing principles and guidelines for other key sectors would also be assessed (eg. Forestry, in which a good deal of progress has already been made). The sectoral discussions would start from the general and move to the specific, with the objective of building an understanding on basic issues and finding common ground before moving to the more contentious, detailed discussions. The Bank Group would act as a catalyst and a mediator, on a best effort basis.

A preliminary outline and budget for the Mining industry pilot is attached.

If it is determined that the Mining pilot program has been successful in achieving its objectives, a similar pilot process with other key industry sectors would then be launched. This process would not only encourage the implementation of existing environmental and social principles and guidelines, but would contribute to an upgraded and level playing field as well, which would no doubt encourage durable environmental and social improvements. In addition to ensuring the stability and predictability of the investment climate, and promoting investment that is environmentally and socially sound and sustainable, this process would create a ***permanent role for the Bank Group as an honest broker and facilitator of valuable knowledge and information.***

Voluntary Environmental and Social Principles and Guidelines for Investment in Emerging Economies

Key Issues to be addressed at EXCOM **July 14, 1997**

- **Champion.** While Mr. Maurice Strong will continue to formally chair the process, and ad-hoc support has been obtained from the relevant units of the Bank Group (ESD, FPD, IFC, MIGA, LEG), there is a clear need to appoint a "champion" to steer the process forward. Is ESD, Bank Operations, IFC or FPD interested in taking the lead?
- **Budget.** Moving to the next stage and launching the pilot mining initiative will require budgeting resources estimated at about \$1.2 million for the first 12 to 18 months (\$300,000 for the first three to six months). Because this initiative was not formally included in the Strategic Compact, other sources of funding need to be identified. Can the President's contingency funds be considered, at least for the first three to six month period?
- **Downside Risks.** The proposal for the Bank Group playing the role described in this note has gathered substantial support, but also opposition from some NGOs and business organizations. On the one hand, some NGOs feel that the Bank Group would be used as a "buffer" by the industry. On the other hand, some business organizations feel that the Bank Group would be used by the NGOs as a "Trojan horse". Besides the reputation risks that could be involved in entering such a process, are there any other risks, including legal risks to be considered?

**PRELIMINARY OUTLINE AND BUDGET
TO PREPARE
VOLUNTARY GUIDELINES FOR THE MINING INDUSTRY**

Building upon the previous meetings and discussions concerning voluntary environmental guidelines, the Bank would move forward with a pilot project for the international mining industry. In order for the process to have credibility with the various stakeholders engaged, the project would require clear and full time senior leadership to champion the effort and chair the working group, and must be perceived as an important Bank product. The role of the chairperson would be to provide direction and guidance, establish a rapport and dialogue with stakeholders, and provide direct linkage between the project and Bank senior management.

A two-phased approach is recommended:

I. Confidence and Trust Building. Phase I will be dedicated to creating a process, defining a road map, and elaborating future actions. Phase I will last approximately three months, and will:

- identify various actors and stakeholders
- assess and build commitment/ownership to process
- define detailed Terms of Reference

A series of meetings/seminars with stakeholders would be convened to establish a working group which would define the Terms of Reference. This working group, chaired/mediated by Bank Group leadership, would identify, contact and canvas various stakeholders, discuss the salient issues, and report back reactions and suggestions. During this process, the Bank Group chairperson would define the role of the Bank Group, and build ownership and commitment to the TOR by establishing confidence and trust in the process.

Assessment. Following this initial 3-6 month period, a roundtable with senior representatives of the various stakeholders would convene to determine if the working group had been successful in building a basis for consensus, and whether to proceed with developing voluntary guidelines in accord with the defined Terms of Reference. If the roundtable representatives agree to move forward, Phase II would be implemented.

II. Definition. Phase II would follow on the recommendations of the roundtable, and would consist in further meetings of the working group to:

- inventory and build upon existing similar programs and/or case studies
- create guidelines which would upgrade and level the playing field
- identify environmentally coherent geographic areas to test the process
- define final product and outcome

At the end of this period a document would be prepared, adopted by consensus of the participants, and published by the Bank. It is important to think about this initiative as a process and forum in which issues that are of common interest to the mining companies and other stakeholders can be debated. While environment will probably be the focus of the first set of

voluntary guidelines, the confidence created in this forum would allow us to address issues which are more controversial such as social and cultural issues. If the exercise is successful, it may become self-perpetuating in response to the demand from participating stakeholders.

Who Should Participate

Approximately 20 representatives of mining companies, environmental NGOs, developing country (Part II) governments, and international organizations should participate. Additional expertise and/or representatives may be required for special issues or studies and could involve sub-groups. Below are some first suggestions on the types of groups that could be involved.

Group	Representatives
1) Mining Industry ¹	
Member Companies of ICME	3
Other Mining Companies	2
2) NGOs	5
3) Governments (Regional Representatives) ²	5
4) International Organizations (including World Bank Chairman)	3
5) Private Financial Institutions	2
TOTAL	20

Budget

Item	Unit Cost	Travel Expense	Total Cost
Bank Group Chairperson: 12MM	\$25,000/MM	\$ 50,000	\$ 350,000
Specialized Technical Consultants: 8 MM	\$ 20,000/MM	\$20,000	\$ 180,000
Participant travel expenses ³	27 trips	\$ 6,500/trip	\$ 175,500
Office and organization expense			\$ 20,000
Bank staff time: 60 SW	\$ 6,000/SW	\$ 35,000	\$ 360,000
Other (contingency)			\$ 100,000
TOTAL			\$ 1,185,500

¹ ICME members are metals mining companies only. Should we include international coal companies? Major mining companies (e.g., in China, Russia, India) that are not members of ICME?

² It might be possible to identify already existing regional environmental organizations and or committees at the inter-governmental level. For instance, has Mercosur established an environmental committee? If so, would it be an appropriate interlocutor for the present process?

³ Includes organization of conferences, travel and subsistence costs for NGO/government participants, etc.

Communication with Stakeholders

- **International Council on Metals and the Environment (12/96)**
 - **United States Council for International Business (3/97)**
 - **Joint NGO Letter (1/97)**



INTERNATIONAL COUNCIL ON METALS AND THE ENVIRONMENT

Promoting sound environmental policies & practices



ICME

December 12, 1996

MEMBERS

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Barrick Gold Corporation
Billiton International
Metals B.V.
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Copper Corporation
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Western Mining
Corporation Ltd.
Zambia Consolidated
Copper Mines Limited

Mr. Maurice F. Strong
World Bank
c/o Office of Mr. Richard Frank
1818 H St. NW
Washington, D.C. 20433
USA

Dear Mr. Strong:

This letter is a follow-up to our meetings earlier this year with you and with your officials on the subject of the development of principles for foreign direct investment in emerging economies in the mining and primary metal processing sector. In response to these meetings, representatives of member companies of the International Council on Metals and the Environment (ICME) met to consider the nature and purpose of the World Bank proposal and in particular what would be the objective, terms of reference and participants in such a process and how the outcome would be applied. As a result, I would like to share the following thoughts with you.

We agree that the objective of entering into a consultative process with the World Bank should be to develop environmental and community principles for investment in developing countries vis-a-vis mining and primary metal processing. The consultative process should initially focus on the development of environmental principles. The principles should: deal with management principles and not with setting specific standards and practices; be applicable to all geographical regions; be practicable; take into consideration the economic and legal implications; take into account sovereign concerns; provide value added over existing guidelines; and most importantly, provide environmental and community benefits.

To lend legitimacy to this consultative process, we suggest that participants should include five representatives of developing countries, five representatives of Environmental Non-governmental Organizations, five representatives of ICME and five representatives of other organizations (which would include the World Bank).

.../2

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DEC 13 1996

In our view, the process should be led by the World Bank with the help of an outside facilitator. The consultative group should operate by consensus.

We presume that the World Bank will cover all costs for meetings. ICME will cover the costs of its participation.

Representatives of ICME wish to meet with you again to discuss some of the above points and other related issues at your earliest convenience.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Gary Nash".

Gary Nash
Secretary General

cc. Richard Frank
Bernard Pasquier



United States Council for International Business

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Serving American Business as U.S. Affiliate of:

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The ATA Carnet System

March 26, 1997

Mr. Bernard Pasquier
Adviser to the Managing Director
Private Sector Development Group
The World Bank Group
1818 H St., NW
Washington, DC 20437

Dear Bernard:

Thank you for meeting with me on March 13 and for bringing me up to date on the proposal for World Bank guidelines on the environment. We were encouraged to hear that the World Bank did not intend to develop broad "generic" environmental guidelines for business and would focus its efforts instead only on those specific sectors that had expressed interest in receiving some sort of World Bank seal of approval for use in developing countries. We also understand that environmental NGOs have not shown much interest in the proposal and that to date only the mining sector appears willing to consider the idea of environmental guidelines.

You asked me to restate our position on the issues, and I am pleased to do so. As Abe Katz told Mr. Frank on October 30 and also made clear in his earlier letter to Mr. Wolfensohn, the U.S. Council and our sister business organizations do not see the need for any new guidelines for corporate behavior given that there are already in existence two internationally-agreed set of guidelines in the OECD and ILO plus the International Chamber of Commerce's voluntary guidelines and corporate codes of individual companies. We recognize, however, that certain industries may see some benefit in having sectoral guidelines on the grounds that they might facilitate more consistent treatment of their investments by host governments. The U.S. Council does not object to such guidelines if industries like the mining sector perceive them in their interest. In that case though we would urge that:

- The guidelines should be technical in nature and sector-specific, i.e. not broader guidelines on corporate behavior.
- The concerned industrial sector should work directly with the Bank to develop the guidelines. We have advised our members to avoid becoming

involved in tripartite negotiations involving environmental NGOs and the Bank.

- Environmental NGOs should not be put in a position where they appear to be monitoring the behavior of individual companies. In that regard, the reference in Mr. Wolfensohn's letter on November 27 to the possibility of stakeholders discussing "...existing regulations, guidelines, and/or their implementation" was especially troublesome.

All of this may be moot, however, given the apparent lack of interest on the part of environmental NGOs in pursuing the guidelines notion. Still, I thought it would be helpful to put our views on the record once again.

Thank you for your time. Please let me know if there are any further developments.

Sincerely,

A handwritten signature in cursive script that reads "Tim".

Timothy E. Deal
Senior Vice President

**JOINT NGO LETTER on Proposed "Voluntary Environmental and Social
Guidelines for Private Investment in Emerging Economies"**

Bernard Pasquier
Senior Adviser to the Managing Director, Private Sector Development Group
The World Bank
1818 H Street, NW
Washington DC 20433
USA

28 January 1997

Dear Mr Pasquier,

We have received details of the Bank's proposal to negotiate voluntary environmental and social guidelines for companies investing in the South and understand that the Bank is seeking comments from NGOs about whether and how this initiative should move forward.

Based on initial discussions amongst certain NGOs and on the small amount of documentation available (concept note, summary of 19 July meeting of 12 organisations in Washington) we believe that the process adopted by the Bank to begin discussions of standards is deeply flawed and we are not convinced that this is a legitimate area for Bank involvement.

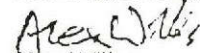
The Bank's move to broker standards seems to be based in part on your claim to have developed good practice guidelines and directives that apply to Bank projects and investments, and now are being applied by some private companies. Whilst we recognise that the Bank's Operational Directives contain much useful language, we do not accept that the Bank has applied these standards with sufficient rigour to become a reputable and reliable arbiter of standards for others. The Bank is in the process of revising its own directives in a way that will make them less enforceable and is well-known for advocating deregulation rather than strong, enforceable regulatory frameworks.

In setting about discussing voluntary standards for industry the Bank claims to have held a meeting with "broad representation" and to be "consulting with all stakeholders"; but we believe these are serious exaggerations. As far as we are aware only a select few large, US-based, environmental NGOs were invited to your July meeting, and your subsequent mailout included only a tiny number of similar organisations. Whilst such groups should certainly be part of any such process, we feel it is unacceptable for the Bank not to have included other types of organisations, for example development groups, consumer groups, human rights groups, corporate accountability groups, indigenous peoples' groups, representative trade unions, ethical investment companies, Southern environmental groups, many of which have already been involved in discussing corporate standards and would be essential components of any consensus as to how companies should operate.

One of the key conclusions from the July meeting, for example, was that "initial emphasis will be on environmental guidelines, with social issues to be addressed at a later point in time, as less work had been done in this area". This appears to reflect the nature of the participants and overlooks the wide recognition that environmental and social analysis cannot easily be separated and that consultation and participation are critical to good quality environmental analysis and mitigation work.

We look forward to hearing what your plans are to ensure that, before the Bank decides whether to proceed with its involvement in producing new voluntary standards for industry, a broad range of groups from different countries have a proper opportunity to state their views and outline whether they believe the pre-conditions for substantive discussions are acceptable.

Yours sincerely,


Alex Wilks
Coordinator
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[Signing also on behalf of the
co-endorsers listed overleaf]

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