

Gold Dialogue – Building Ethical and Traceable Gold Supply Chains

The imperative of collaboration between Artisanal/Small scale and Large Scale Mining

Introduction

On 17 October 2011, the [Alliance for Responsible Mining](#) (ARM) and [Maplecroft](#) held the first in a series of ‘Gold Dialogues’ in the London offices of [Norton Rose Group](#). These are aimed at drawing together industry, civil society and policy actors to discuss issues relating to the development of ethical and traceable gold supply chains – with a focus on Large-Scale Mining (LSM) and Artisanal and Small-scale Mining (ASM).

The first of these Gold Dialogues addressed ‘*The imperative of collaboration between Artisanal/Small scale and Large Scale Mining*’, with a particular focus on the following three issues:

- **Issue 1:** *The risks and opportunities relating to the formalisation of ASM*
- **Issue 2:** *How can ASM ensure its concerns are reflected in global initiatives developed by or for large global companies?*
- **Issue 3:** *How can the LSM sector work with responsible ASM operators to bring ethically produced gold to market?*

For further information about the Gold Dialogues, please contact Cristina Echavarría (cechavarría@communitymining.org) or Gus Macfarlane (gus.macfarlane@maplecroft.com).

Participants

The event was attended by more than 35 participants, including those representing:

- Africa Matters
- African Barrick Gold
- The Alliance for Responsible Mining (ARM)
- AngloGold Ashanti
- The Business & Human Rights Resource Centre
- The Catholic Overseas Develop. Agency (CAFOD)
- The Centre for Social Markets
- Cookson Gold
- The Cred Trading Company
- De Beers
- The Eden Project
- The Embassy of Colombia to the United Kingdom
- Estelle Levin Consultants
- The Fairtrade Foundation
- Fifi Bijoux
- Gold Fields
- Hogan Lovells International
- The Int. Council on Mining and Metals (ICMM)
- The Int. Institute for Environment and Develop.
- The London Bullion Market Association (LBMA)
- Maplecroft
- Rio Tinto
- The Responsible Jewellery Council (RJC)
- Solidaridad
- Sustainable & Responsible Solutions
- Tiffany & Co. Foundation
- World Vision

Issue 1: *The risks and opportunities relating to the formalisation of ASM*

- Formalisation is a multi-stakeholder process that goes beyond title legalisation to address broader challenges
- Informality and negative impacts are closely related, being a consequence of marginalisation from public policy. As a result, formalisation of ASM is necessary to build a healthy and accountable mining sector, including through the application of ethical value-chain initiatives
- Formalisation can enhance peoples' rights, as well as democratic processes in areas that are often vulnerable. It can, for example, integrate ASM miners into the economic/political system, and give them a formal stake in society
- Fairtrade and Fairmined Gold has – as a concept and in reality – already demonstrated its ability to build democracy from the bottom up, due to its requirement for appropriate governance structures and for premium monies to be disposed of for the common good through democratic and accountable decision-making processes
- Research suggests that ASM mining – whether formalised or not – is actually contributing to peace-building; for example, in Ituri, DRC
- Instead of 'conflict gold', it may be more constructive to address 'conflict managed gold' to reflect a less absolute stance. In Colombia, the Green Gold® initiative was integral to the development of the Fairmined concept, demonstrating that responsible, community-based ASM can deliver both traceability and improved living/working conditions in mining communities
- In most cases, ASM miners are keen to formalise themselves. Operating illegally can be very expensive, so most miners have every incentive to try to legalise themselves due to the higher input costs/lower sales revenues they currently experience
- ASM is here to stay. Despite the existence of at least 15m ASM miners, they are invisible on the international agenda. It is not clear why the LSM sector is not doing more to support projects to address the issue. Some stakeholders asked if this is because it is seen as a zero-sum game
- Many land invasions appear to be prompted by a desire by marginalised groups to be recognised. If protagonists had land made available for them to mine in a formal sense, it would arguably prevent 90% of these invasions
- Despite concerns around the economic benefits that flow to foreign syndicates in some places, governments perhaps need to better recognise the economic benefits of ASM. In a sense, ASM effectively pays very substantial royalties through its significant creation of employment opportunities, as well as the payment of VAT for all supplies and services and the formation of local economic clusters. It is estimated, for example, that 90% of employment in the mining sector is generated from ASM – making it vitally important for job creation in mineral rich countries
- Advocates of ASM need to better identify and map the positive socio-economic and environmental impacts of a formalised ASM sector (including the potential tax benefits to government). A lack of analysis in this respect may reinforce government resistance to giving further rights to ASM operators – due to the obvious and clearly articulated economic benefits offered by many LSM operators
- There is a risk of a chicken and egg situation that is likely to perpetuate marginalisation. Current regulations may mean that the potential of ASM to generate improved economic and social benefits – at both a local and national level – is not being fully realised. For example, ASM certification schemes such as Fairtrade and Fairmined rely on the existence of legal titles for ASM. As a result, it is necessary to first tackle the public policy and legal framework
- In summary, efforts to address conflict gold and the social and environmental impacts of ASM could further marginalise the very people they aim to help. Raising the barriers for legitimisation is likely to push ASM miners and their families further into vicious cycles of increasing poverty

Issue 2: How can ASM ensure its concerns are reflected in global initiatives developed by or for large global companies?

- Although it will deliver major benefits in terms of the exclusion of conflict minerals from international markets, over-focus on traceability is likely to result in the exclusion of ASM. Focus should be placed on assisting and integrating responsible ASM miners – including through formalisation. Around 90% of ASM activity is automatically excluded from traceability processes/standards due to a lack of mine title – with potentially serious socio-economic consequences
- Furthermore, there is poor take-up of traceability initiatives in the ASM sector due to a) the fact that most initiatives are designed in consumer countries and do not necessarily include ASM perspectives or incentives; b) the limited ability of ASM operators to implement the standards without access to training, credit and legal rights; and c) government perceptions re the ‘quasi-colonial’ nature of such initiatives
- In addition, the ability of ASM groups to get involved in public discourse and conflict free initiatives is limited. They need funding, information and translation if they are to take part. This is an area where LSM companies and other organisations could help
- Traceability (as driven by the Dodd-Frank Act) will address many, but by no means all of the challenges associated with conflict minerals – or the ASM sector more generally. It needs to be complemented by values-driven, proactive efforts to address issues such as health and safety, child labour, workers and women miners’ rights, and environmental management – instead of just focusing on the exclusion of non-traceable sources
- One of the reasons that some governments and LSM companies do not currently deem ASM ‘legitimate’ is because the incentives for doing so are not obvious. For example, there are often strong perceptions that at some level, the relationship between ASM and LSM is inherently antagonistic due to resource competition, as well as popular hostility towards large-scale, often foreign, mineral exploitation
- Theoretically, governments have a clear incentive to address this conflict – they decide who mines, they collect the revenues and they rely on citizens’ votes – and should be the ultimate ‘referee’. In reality, however, government efforts are often focused on maximising FDI – and on ‘stopping illegal mining’ rather than ‘promoting responsible mining’. As a result (and in light of the economic/political benefits of LSM revenues, as well as incidents of corruption) governments are unlikely to be objective
- LSM companies do have an incentive to address potential clashes of interest with ASM, as they need to maintain their social licence to operate and improve the overall reputation of the industry. In this respect, a purely security-led approach is rarely going to be enough
- Ideally, governments, regulators and other stakeholders should address ‘mining sector’ issues rather than ‘LSM’ and ‘ASM’ issues – i.e. a cooperative approach that addresses challenges for the whole industry
- Further incentives should ideally flow from a) consumers in the north keen to promote ethical practice and development; and b) voters in the south keen to promote responsible ASM, economic democratisation and employment creation

Issue 3: How can the LSM sector work with responsible ASM operators to bring ethically produced gold to market?

- Depending on the mineral deposit, there may be little 'crossover' between viable LSM areas (i.e. large-scale, high-return) and ASM areas (i.e. more accessible). This means there are opportunities for cooperation
- There is a need to get away from the idea that the ASM and LSM sectors are competing over the same resources. Instead, it will be more constructive to think about a unified, sector-based approach to the development of a sustainable minerals industry – that creates sustainable opportunities for host communities and countries. The diamond sector learnt the hard way that LSM operators need to be proactive in their relations with ASM miners
- LSM companies should also be able to differentiate between 'responsible' ASM and other forms that are more socially and environmentally destructive – or which actually compromise companies' own commercial and legal interests
- In some cases, LSM miners are arguably doing more to positively address/support ASM than governments themselves. Even where governments are willing, they often do not know how to manage ASM. Although they might benefit from the experience and knowledge of LSMs in this respect, this would be politically very sensitive
- Despite there being an ostensibly clear (if not always fair) legal case against illegal ASM miners, they are a) voters; and b) often members of local communities where mining is a traditional, yet informal, economic activity. As a result, some companies try to treat the issue in a constructive way. Although corporate centres tend to view the issue in terms of conflict and legality, in many cases their operations are finding ways to manage the issue in ways that produce mutual benefits. As a result, the most effective and sustainable way to create constructive engagement is likely to be based on a) bottom-up, constructive engagement; and b) a top-down approach driven by LSM companies and industry associations that ensures the inclusion of ASM perspectives into their policies and standards. Certain initiatives are moving in this direction including, for example, evolving approaches being applied by the RJC, work by the ICMM and – in the case of diamonds – the Diamond Development Initiative
- Mid-scale miners may also be able to help ASM operators formalise due to their application of shared techniques and of the closer similarity of their regulatory/reputational contexts (i.e. compared to LSM operators)
- In addition, there are significant lessons that could be applied from Fairtrade certification efforts in the agricultural sector

Summing up

- Responsible ASM is critical in terms of local development and job creation, not just in Africa but in Asia and South America. Formalisation, coupled with appropriate training, access to credit and market incentives, is crucial – and will take time to take effect. ASM is often undervalued by stakeholders, including LSM and producer governments. It is at risk of being further marginalised by the application of international standards and initiatives that might, in effect, only serve to further exclude the ASM community from development, and deepen conflict over resources
- Responsible ASM – as well as organisations helping with the formalisation of ASM - need to be supported. In addition, their perspectives need to be appropriately incorporated into efforts to improve the performance and contribution of the mining and minerals sector to society
- There are significant information gaps that need filling. This includes, for example, the socio-economic contributions of ASM to producing countries and the underlying economics and power relationships in ASM. ASM needs to be systematically and accurately mapped to understand the scale of the issues and the impacts
- It is clear that there is appetite for constructive and collaborative solutions between the ASM and LSM sectors, which was welcomed by all. It is important that NGOs based in developing countries, such as ARM, play an effective role and are able to participate in dialogues that are very much driven by stakeholders, governments and companies based in the developed world
- A second Gold Dialogue will take place and details will be forthcoming. It is noted that this could act as a valuable opportunity to engage with producer governments on many of the issues discussed at the first Gold Dialogue