

The Association for Responsible Mining (ARM) aims to enable certified fair trade precious metals, responsibly produced by artisanal and small-scale miners, to reach the jewellery marketplace, via its *Standard Zero for Fair Trade Artisanal Gold and Associated Silver and Platinum*.

PROJECT ENGAGE

## Getting to **FAIR TRADE GOLD...** and Jewellery

By Cristina Echavarria ■ Secretary General ■ Association for Responsible Mining (ARM)

## Introduction

This paper concerns the efforts of the Association for Responsible Mining (ARM) to articulate standards and criteria for the responsible mining of precious metals in the artisanal and small-scale mining (ASM) sector, through the *Standard Zero for Fair Trade Artisanal Gold and Associated Silver and Platinum* scheme.

ARM's ultimate goal with the project is to bring economic justice and local sustainability to the development of these mineral resources by artisanal and small-scale miners who toil in some of the poorest and least developed areas of the world. *Standard Zero* will enable small-scale miners to differentiate their responsibly produced precious metals from generic precious metals, so that they can market and sell them as certified fair trade products. There is a growing consumer demand for responsibly sourced products, thus fair trade precious metals could be used by interested jewellery manufacturers and retailers who want to support the category.

The premium that artisanal and small-scale miners receive for their precious metals can be invested in their local communities to improve working conditions and underwrite better education and health services. It could also be invested in efforts toward ecological restoration and diversification into other product areas.

## The Context

Mining activity today is increasingly coming under pressure to internalize social and environmental responsibility. This pressure is part of a greater demand from consumers for evidence that the products they purchase are responsibly sourced, that their extraction contributes to local sustainable development, poverty reduction, and that the basic human rights of workers and communities are being respected. The push for greater social and environmental responsibility has been focused primarily on industrial-scale mining, and on the activities of multinational companies operating in developing countries.

By the same token, the global jewellery industry has also become the focus of consumer concern. Critics point to the industry's general lack of transparency and accountability, to specific concerns related to the social and environmental impact of the extraction of precious metals, diamonds, gems and coloured stones. The development of the Kimberley Process, a global, government-sanctioned system created

to prevent conflict diamonds from entering the legitimate diamond supply chain, and the No Dirty Gold Campaign led by Earthworks and Oxfam America, have both been responses to these concerns. Both initiatives have featured the collaboration and support of civil society and industry to address issues.

The 2005 establishment of the Council for Responsible Jewellery Practices (CRJP) is the most recent effort by industry to protect its integrity. Council members are committed to promoting responsible business practices in a transparent and accountable manner throughout the industry from mine to retail. Their commitment aims to maintain consumer confidence in diamond and gold jewellery products and the trust of all interested stakeholders in their industry, through responsible sourcing and application of ethical standards in their operations.

While these steps towards improving the performance and transparency of the diamond and gold jewellery supply chain are critical, they have mostly featured the participation of large, major players in the industry, and appear to target their interests, at least at the outset. They are currently not addressing the needs of millions of artisanal and small-scale miners included in the small-scale mining economy.

Yet, artisanal and small-scale mining (ASM) is a reality that cannot be ignored. According to ILO estimations from 1999, over 13 million people depend directly on ASM, and over 80 million on a seasonal or indirect basis. However, due to the rise in the price of commodities, the impact of climatic change on agricultural or herding livelihoods, and to armed conflict in some countries, these numbers may well have doubled in the last 8 years. In reality, the magnitude of ASM is as yet uncertain, since no updated estimates are globally available.

Artisanal and small-scale miners are found extracting precious and base metals, non-metallic minerals, precious and semi-precious gems and coloured stones, coal, building materials and aggregates. ILO data from 2004 indicate that these small-scale miners produce between 20-25% of all non-fuel minerals. In Africa ASM provides close to 2 billion worth in gold and gems, it produces more than 200 million worth of gold in more than 6 countries and it is responsible for 15% of all diamonds, worth some \$1.2 billion dollars.

ASM usually takes place in fragile ecosystems characterized by cultural and biological diversity in rural areas, but it also occurs in the poorest sectors of urban areas, and as a social legacy of large-scale mining. Widespread material

poverty and social exclusion in ASM regions is aggravated by environmental impacts that directly affect ecosystem and human health, reflecting on the sustainability of local livelihoods in its area of influence. Concerns over the environmental and human health impacts of abuse of mercury and other toxic substances, and deforestation by ASM are key environmental challenges to be addressed.

ASM is plagued by huge governance challenges, not only because of the illegality and informality of many ASM operations, but as a result of the inappropriate legal and regulatory frameworks for the activity in many countries. Because of their high value, precious metals and gems that are mined on a small, artisanal scale can come under the control of illegal armed groups, which use them as a source of finance for conflicts. These metals and gems are also vulnerable to money laundering activities and have been linked to the illegal drugs and arms trades. The prevention of the use of gems and metals for these illegal purposes is often hampered by the limited technical and financial capacity of developing country governments to effectively manage ASM activity, despite ongoing efforts in many countries.

Yet, in many regions of Africa, Latin America and Asia, ASM offers a livelihood, albeit meagre, to populations displaced in the midst of war, and/or to other especially vulnerable groups. A high proportion of women and children are involved in ASM, mostly extracting the lower grade minerals and tailings left by men.

Efforts to address the complexities of ASM have been made over the past 30 years by international cooperation agencies, national governments and NGOs (non-governmental organizations) alike, with variable results. Indeed, a number of good practice examples such as the *Oro Verde* (Green Gold) Initiative in Colombia and the GAMA (*Gestión Ambiental en la Minería Artesanal*) project in Peru, indicate that with appropriate incentives and support, ASM can become responsible and sustainable.

The improvement of the social and environmental performance of artisanal and small-scale mining will have enormous impact on the lives of many of the poorest families in Latin America, Africa and Southeast Asia. Ignoring it will only postpone the problem and deepen poverty, illness, inequity, conflict and environmental degradation in the many regions of the world.

## Working to Create a Fair Trade Supply Chain for Responsible ASM – Using Gold as an Example

The current structure of the gold supply chain (from mine to market) severely limits the profit margins of small-scale producers, who have little choice but to pass their concentrate and gold through a chain of middlemen and traders in order to get it to refiners and to the marketplace.

However, if a fair trade market supply chain were established, then it would become possible to distinguish between gold produced by responsible ASM mining communities, and generic gold, a distinction that is currently impossible because most gold is refined in the same places. Gold identified as mined by small-scale community miners, which is conflict free, and contributes to local economic development, social equity, and better environmental health, could be marketed like other fair trade commodities.

The added premium and increased earnings from access to the fair trade market could be used by community miners to improve the technology and working conditions at their mines, and also to develop community projects in education, health, ecological restoration and economic diversification, which would lead to more enduring and sustainable development in mining communities. The democratic processes required for the investment of the fair trade premium are also a powerful incentive to strengthen democratic decision-making in producer and community organizations.

## Standard Zero for Fair Trade Artisanal Gold and Associated Silver and Platinum

Before ARM could hope to bring fair trade ASM gold and other precious metals to market, however, it had to develop a set of standards for responsible ASM. A pioneer experience to inform ARM's work already existed at the outset. In Colombia, Afro-descended miners (The Choco), living in one of poorest, yet most bio-diverse regions of the world, have developed sustainability criteria for their artisanal mining operations, as part of the *Certified Green Gold* program. Led by the Green Gold Corporation, this project is a strategic alliance between two local NGO's and two community-based organisations. Indeed, the Association for Responsible Mining (ARM) was born out of the *Certified Green Gold* project.

Learning from the *Certified Green Gold* experience, ARM works from the outset with ASM organisations and other players in the supply chain, to build from the bottom up on local traditional knowledge. It seeks to respond to community initiatives towards poverty reduction and local management of natural resources. At the heart of this effort, is the objective of contributing in a substantial manner towards the achievement of the United Nations Millennium Development Goals in ASM communities, and bringing economic justice to the development and marketing of mineral resources.

ARM considers that this is a learning process evolving in collaboration with key players of the market supply chain. ARM is leading a process whereby universally accepted principles and criteria for the certification of responsible and ecologically sound community mining practices can be defined. The collectively built vision that underpins the framework is known as the *Vision of Quirama*:

### THE VISION OF QUIRAMA

ASM becomes a formalised, organised and profitable activity that uses efficient technologies, and is socially and environmentally responsible, and increasingly develops in a framework of good governance, legality, participation and respect for diversity, driven by a growing consumer demand for sustainable and fair-trade jewellery and mineral commodities.

In 2006, ARM brought together a Technical Committee for the development of a first draft of standards and criteria, known as *Standard Zero for Fair Trade Artisanal Gold and Associated Silver and Platinum*. Institutions and persons on the technical committee combine expertise in different aspects of ASM and fair trade, including certification and chain of custody, strengthening of ASM producer organizations, occupational health and safety issues, mercury abatement, environmental management, gender issues, child labour issues, decent labor issues, emergency preparedness and response, cleaner production, public policy and formalization of ASM, ecological restoration, governance, sustainable livelihoods, and issues related to marketing. They were invited on the basis of their recognised commitment to sustainable ASM, and a number of them belong to key organizations working in this sector, whose support will be crucial to ensure the legitimacy and technical quality of the scheme. (For full list of members of Technical Committee, go to ARM's website: [www.communitymining.org](http://www.communitymining.org))

Since August 2006, *Standard Zero* has undergone extensive public consultation. This process combined workshops and electronic media. Invitations to provide input were made via

several list serves and are also posted on the first page of the ARM website in four languages. Today, we continue to invite comments from interested parties. Workshops have been held by ARM in South America and Africa with over 300 participants, in four languages.

Early in 2007 in Lima, Peru, the technical committee reviewed the input received during 2006. An updated version of *Standard Zero* is now available for further comments and consultation with interested parties at the ARM website, [www.communitymining.org](http://www.communitymining.org). In its present form it will be pilot tested for 12 months initially in Latin America, later in Africa and Asia.

The *Standard Zero for Fair Trade Gold and Associated Silver and Platinum* includes a set of **draft** principles gleaned from the Fairtrade Labelling Organisations International (FLO) standards for small agricultural producers, but adapted to the situation of artisanal and small-scale mining (ASM). It follows the characteristic fair trade grouping of social, economic, labour, and environmental development standards, with specific requirements for fair traders and jewellers.

The scheme is directed only at artisanal and small-scale miners, not at medium and large operators. It is not intended for gold rush situations, but rather seeks to act as an incentive for organisation and formalisation of ASM. It will certify artisanal gold, as well as silver and platinum found in association with the gold and **extracted under the same operation**. A standard for artisanal silver mines is likely to be developed in the short term in order to expand the supply of responsibly sourced artisanal silver to include mines where silver is the primary metal.

Considering that there is no globally accepted definition of artisanal and small-scale mining (ASM), and that the definitions and forms of organisation may vary under different national legislations, ARM will use the following working definition for fair trade ASM organisations based on the idea of *community mining*. ARM will expand this definition in the future and adapt the standards to other kinds of ASM, including small-scale producers with a significant number of workers:

A *community mining* organization is comprised of a majority of members or shareholders who are active miners, and as members of the local community contribute to its social and economic development.

## Ground Testing Of *Standard Zero* With Miners' Organizations

Pilot testing of *Standard Zero* will take place first in Latin America, and later in Africa and Asia for two reasons: firstly, being a global organisation born in South America, ARM has its broadest networks of stakeholders and potential producer support organizations in Latin America and the Caribbean. Secondly, due to their own efforts and consistent support by well-managed international cooperation programs, Latin American miners have reached significant levels of organization, so that they are empowered and have a fairly good chance of being certified by the end of the pilot projects in 2008.

Just over the past 12 months Latin American miners have formed the following organisations: the National Society of Artisanal and Small-scale Miners of Peru (September 2006), the Regional Latin American Organization of ASM (December 2006) and the Confederation of Artisanal and Small-scale Miners of Colombia (June 2007). This is a dynamic process with organised ASM at its heart.

### Pilot Countries

The first pilots will take place in Bolivia, Colombia and Peru. Building on existing processes and seeking a representative sample, the technical committee has defined the following criteria for selection of pilot countries:

- A variety of national contexts and laws for ASM.
- Different types, sizes and levels of organization of ASM to see how the standards perform in communities where different organizations are interlinked in the supply chain and how to address this complexity.
- Different types of gold mining, i.e. Alluvial and hard rock.
- Different ecosystems: tropical rainforest, Andean mountain, and Atacama desert.
- Different processing techniques, i.e. amalgamation, cyanidation, mercury-free gravimetric methods, etc.
- Legislation that offers transparent mechanisms for private persons to export metal, i.e. precious metals export is not the monopoly of a few people or of the government.

### Pilot Organizations

To be selected for pilot testing the organization must comply with the following criteria (NOTE: at least two women miners' organizations will be included in the pilot projects in Latin America):

- Be legally registered and organized, or be affiliated to a registered organization and be willing to comply with the proposed standards in order to sell through that registered producer organization.
- Have a demonstrable trajectory of progress, as a producer organization, towards social and environmental responsibility.
- Have an existing process so the pilot does not need to start from zero.
- Have the interest and commitment of the producer organization to act as leader and multiply the process among its peers, sustained by a letter of intention.
- Demonstrate the existence of a partnership between a producer organization and a support organization (NGO, government agency or academic) that will ensure the technical quality of the evaluation of *Standard Zero* and the application of a participatory approach based on learning by doing.
- Have a mining concession with mineral potential.

In most cases the point of entry will be a producer organization with all its local ramifications. These may include, apart from the members of the organization, partner organizations working inside the mining concession of the pilot case, the suppliers of processing services, transporters, refiners and traders. In other words a supply chain approach will be applied where possible.

The object of this approach is to test the mechanisms whereby formalized producer organizations can incorporate the informal groups and producer family units within the same mining village, and act as drivers and incentives for improved performance of community ASM to generate improved quality of life in the village as a result.

### Pilot Process and Toolkits

The proposed pilot process involves the formation of three Latin American pilot teams of organised miners and support organisations working as a regional network to test the standards in different contexts. ARM will produce the training and evaluation tools, and these will be tested and refined by the pilot teams through an iterative process that combines tool development by senior consultants, learning by doing, training of trainers and miner exchanges. The toolkits to be developed and tested will form the basis of a producer support program to be offered by ARM to new organisations. They include the following:

- **Participatory Baseline Assessment** toolkit comprising: (i) checklist of issues relevant to *Standard Zero*, (ii) set of indicators for requirements of *Standard Zero*, (iii) description of applicable methodologies for the assessment of relevant issues, (iv) template for the baseline assessment report, and (v) manual for the application of the toolkit.
- **Basic Cost of Production** toolkit comprising: (i) learning module introducing the concept of production costs for artisanal producer organizations; (ii) questionnaire for determining cost components for three different types of artisanal mining operations; (iii) documented software application (spread-sheet) for the determination of production costs for different types of artisanal mining operations; (iv) consolidated conclusions from testing the toolkit by project partners and producer organizations; (v) manual for the interpretation of results from the application for producers and consumers.
- **Basic Chain of Custody** learning toolkit comprising: (i) learning module introducing the concept of chain of custody from mine to export point; (ii) checklist for tracing the route and times involved and the existing distribution of costs and profits in each stage, from mine through processing, refining, transport and export point, and a register of the existing and lacking paper trail; (iii) consolidated conclusions from testing the toolkit by project partners and producer organizations, including a clear idea of the main bottlenecks to be addressed.
- **Basic Conflict And Consensus** learning toolkit: (i) learning module introducing the concept of conflict transformation; (ii) analytical guidelines and checklist to identify supply chain players at each point and the interdependence / relationships among them; (iii) guidelines for the development of a conflict management strategy to address chain of custody challenges identified above; (iv) consolidated conclusions from testing the toolkit by project partners and producer organizations, include the identification of bottlenecks and latent/existing conflicts, defined conflict management strategies, identified alternative options to replace adversaries in the proposed fair trade system.
- Needs Assessment toolkit based on *Standard Zero* for each pilot site.
- **A change in public perception of ASM.** Despite its social importance in terms of the employment and livelihoods it provides, a negative perception of ASM persists. It is seen to be a polluting activity that contributes little to the economy or local development and is not environmentally friendly. As a result of the project it is expected that all stakeholders will understand the benefits of bringing ASM into the fair trade system (i.e. specific environmental & labour standards).
- **Improved regional networks among ASM organizations.** The project will strengthen the links among miners' organisations in Latin America, altogether supporting the efforts towards consolidation of the Regional Latin American organisation of artisanal and small-scale miners. This is essential if *Standard Zero* is to be adopted as common practice throughout the region and as an example for other continents.
- **Improved community development.** Artisanal miners will benefit from joining the fair trade system in two clear ways: 1) they will receive an agreed minimum price for their produce based on the London fix and the purity of the gold, thus providing their families and communities with a sustainable income and 2) receive a fair trade premium that can be invested by the miners associations in projects to improve working conditions, provide better education and health services, as well as ecological restoration and diversification into other product areas.
- **Improved capacity of pioneer miners organizations and their communities.** The pioneer ASM organisations and communities joining the pilot testing will become empowered as global ASM leaders who will have the opportunity to drive the exchange of experiences with African and Asian organisations in the near future.

## Expected Outcomes of the Pilot Process

- **Improved market access for ASM.** The workshops and hands-on learning processes will provide a base from which pilots to trial *Standard Zero* can become the first producers of certified, fair trade artisanal gold, and this will provide new market opportunities for all organized ASM producers.

## Concluding remarks

The market launch of certified Fair Trade Artisanal Gold is expected to occur in early 2009. The development of *Standard Zero* is a capacity building process where all key stakeholders are learning from gold in order to adapt and apply these lessons to develop fair trade standards to other metals, gems and minerals produced by ASM. To that end, ARM has begun conversations with relevant partners to form a technical committee for the development of the fair trade diamond standards and criteria.

For further information about ARM and *Standard Zero*, please visit: [www.communitymining.org](http://www.communitymining.org)

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**project engage** ■ 617 Elm Avenue ■ Takoma Park, MD 20912 ■  
United States ■ +202.255.2717 phone ■ +202.887.1875 fax ■  
info@projectengage.net

**Association for Responsible Mining - ARM**

Carrera 43 No. 32A Sur - 20, Piso 2 ■ Envigado, Colombia ■  
South America ■ PBX: 574-3330188 ■ Fax: 574-2761876 ■  
<http://www.communitymining.org/>