

Implementing due diligence in gold supply chains

Potential role for the World Bank's Communities and Artisanal and Small-Scale Mining Initiative (CASM)

Sustainable Energy Department
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What is the Communities and artisanal and Small-Scale Mining Initiative (CASM)

- Objective: CASM was launched in 2001 to provide an integrated, multi-disciplinary solutions to the complex social and environmental challenges facing ASM communities, and improved coordination between those working in this sector. CASM is developing multi-stakeholder approach to addressing responsible mineral supply chain risks associated with ASM.
- Members: Government agencies, donors, corporate, civil society, and ASM stakeholders in CASM hold each other mutually accountable for meeting capacity building objectives set globally and by region/country.
- Methods: CASM develops policies, tools and best-practices; initiates in-country pilot programs to test solutions; provides hands-on services and guidance for its members; serves as a resource to other issue specific initiatives that address mining; and manages a network and knowledge center on ASM.



Why ASM matters in responsible gold supply chains?

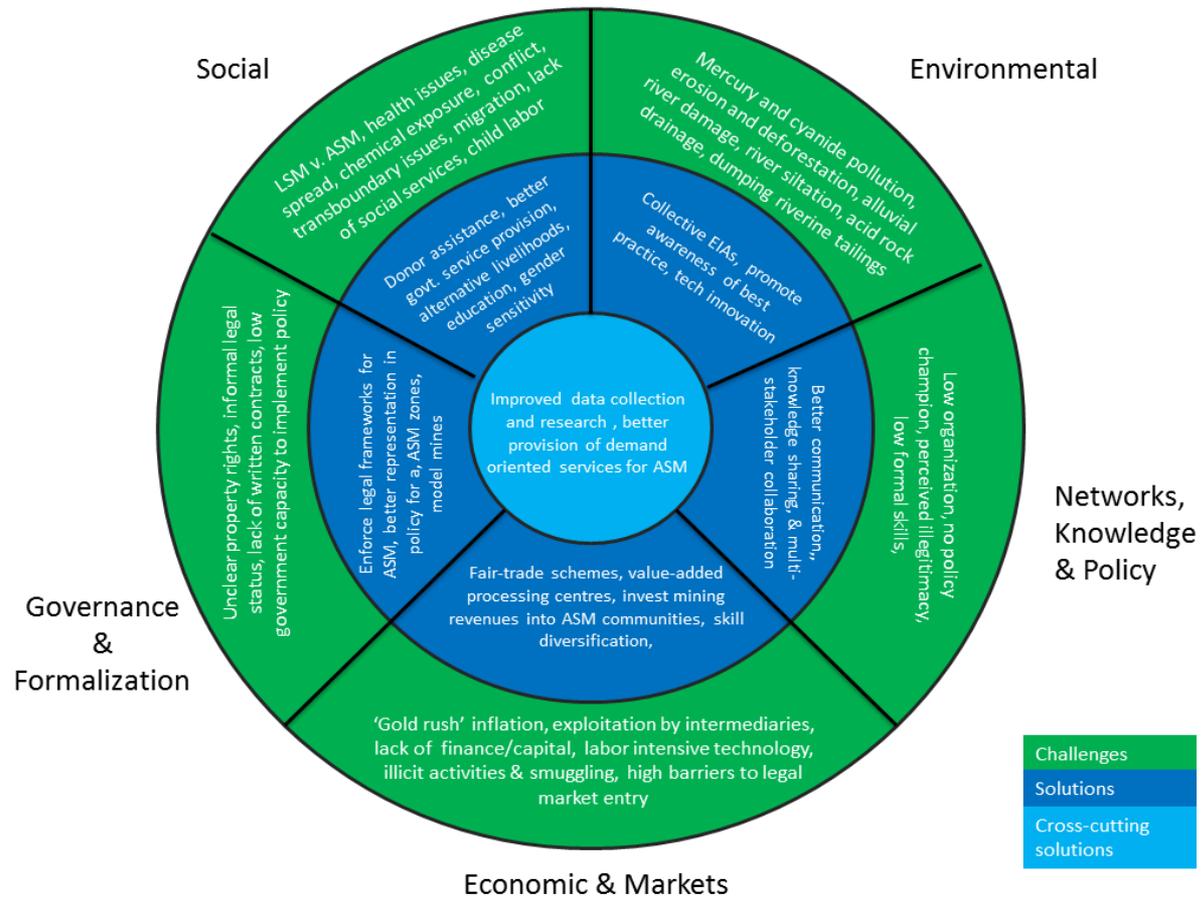
- ASM supply chains are often informal, unregulated, and prone to illicit activities. They present a set of challenges which go beyond the scope of current responsible mineral supply chain initiatives.
- About 15% of global gold production in 2011 or 400 tons are supplied by ASM (percentage higher in some countries in Africa and LAC) . The implication is high risk of contamination (for industry) or exclusion (for producing countries).
- Higher gold prices have attracted more people into informal mining, and increased tensions and risks of conflicts and illicit activities: conflicts between artisanal and small-scale miners and international mining companies, property boundary disputes, encroachment of large-scale concessions, and financing of national or regional conflicts.
- Artisanal gold mining is one of the major sources of global mercury pollution, contributing to the release of an estimated 1000 tons of mercury per year. As much as 95 percent of all mercury used in artisanal gold mining is released into the environment, representing a major health and environmental threat.



Lessons from Interventions in Artisanal and Small-Scale Mining

- **Pilot programs and piecemeal solutions have not worked:** Scale and replication are needed for long term success.
- **Formalization efforts have had mixed results:** While most countries have developed ASM regulations as part of their mining laws, weak institutional capacity to monitor the sector has limited the effectiveness of these laws.
- **To integrate ASM into the global supply chain, the vicious circle of poverty must be addressed :** Alternative livelihood efforts and fair supply chain initiatives by responsible market actors are showing encouraging results.
- **The complex social issues of ASM cannot be addressed as a mining problem:** sustainable development of ASM requires cross-cutting solutions and initiatives
- **Partnerships are needed to provide lasting solutions:** multi-stakeholder partnerships are more effective in addressing ASM issues.

Comprehensive approach to the multifaceted challenges of Artisanal and Small-Scale Mining

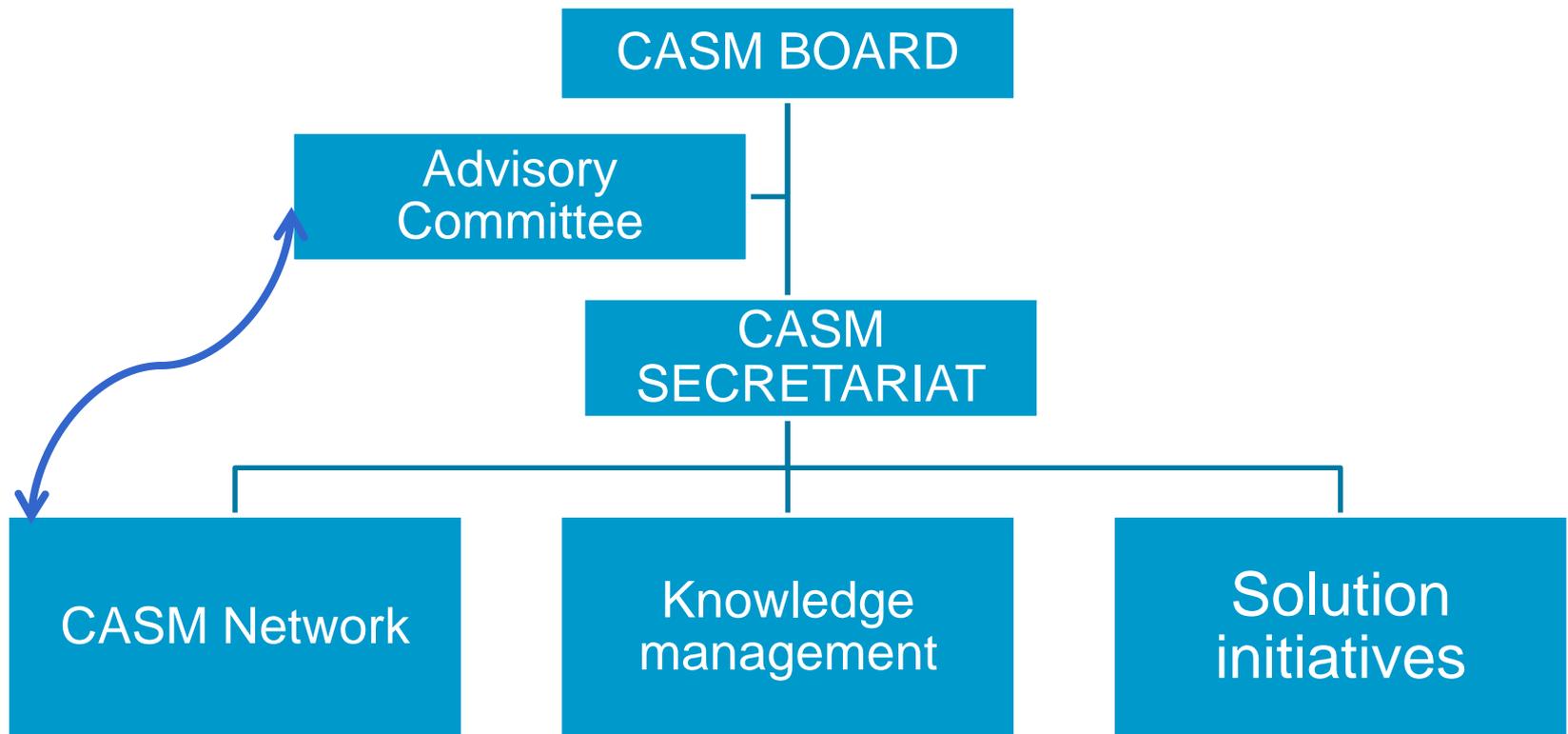


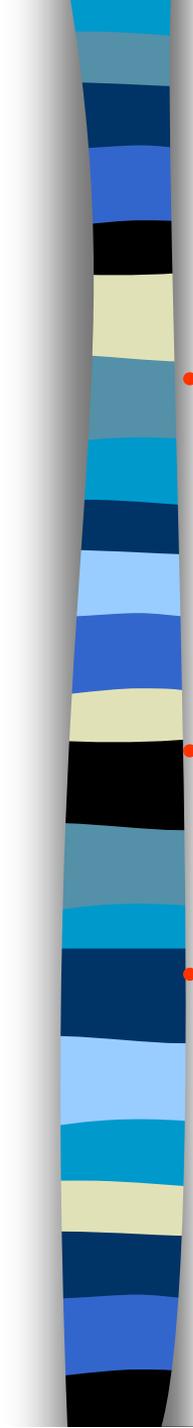


The World Bank's Response: Develop CASM as a Multi-stakeholder initiative involving industry, governments, donors, and civil society

- Partnership with the World Bank will help address upstream performance issues by building host government capacity to implement traceability standards along ASM value chains.
- Association with the World Bank could significantly leverage industry efforts and extend the scope of existing initiatives: Global mercury, Fair Trade Gold, Conflict-Free Gold Certification Standards.
- CASM's multi-stakeholder approach can help manage reputational risks associated with involvement in ASM by providing inclusive solutions that are built from an understanding of social, cultural, political, environmental and economic context of ASGM activities.
- CASM can leverage Bank and donor country programs to promote holistic solutions to ASM (provision of infrastructure and basic social services in ASM communities).
- CASM's Governance Structure requires that governing members hold each other mutually accountable for results, through joint goal-setting and project assessment paired with transparent communication about results.

CASM Governance and Organizational Structure





Building a multi-donor trust fund to implement the “Gold for Peace” initiative: Role of the World Bank and donors

- World Bank, industry, and donors help to:
 - ✓ bring about tripartite stakeholder structures to manage the G4P initiative
 - ✓ provide technical and financial support for G4P implementation in pilot countries
 - ✓ ensure G4P process leads to “compliant” status and take the pilots to scale
- Support is via:
 - ✓ funding from G4P multi-donor trust fund
 - ✓ TA coordinated by CASM Secretariat and World Bank in-country staff
- G4P implementation pilot will need about US\$2 million per country to cover:
 - ✓ Set-up of and functioning of multi-stakeholder structures
 - ✓ cost of G4P due diligence and ASM solutions
 - ✓ capacity building and training for government and civil society
 - ✓ communications and public outreach



Proposed ASM solutions beyond due diligence under the “Gold for Peace” initiative

- Host Government and Stakeholder_engagement: stakeholder mapping and analysis (identifying and prioritizing stakeholders based on their interests, concerns, and impacts);
- Tailor made and context-specific solutions to formalize ASM supply chains: adapting the policy and legal framework for ASM, organizing artisanal miners, building government capacity to manage the subsector; providing technical and financial assistance.
- Establishing formal buying schemes;
- Preparing and promoting standard guidelines for LSM-ASM engagement and providing rapid-response solutions to deal with LSM-ASM conflicts;
- Implementing ASM solutions (ASM training centers, alternative livelihoods programs) which leverage World Bank and donor financial and technical assistance to foster the sustainable development of ASM;
- Supporting special initiatives on environmental remediation and climate change, human rights, community development, and other cross-cutting issues.



Case of Public Private Partnership in Tanzania

- Leveraging the Bank's existing program to advance the formalization agenda for ASM: The Bank is supporting ASM, local economic development, and skills development with US\$15.9 million to implement the national ASM Strategy. The approach combines stakeholder mapping and analysis through: (i) baseline studies of ASM; (ii) extension services for ASM; (iii) supply chain development, including value-added activities; (iv) access to credit facilities; and; (v) integration of ASM into local development planning.
- Establish pilot ASM projects and regional centers of excellence at artisanal gold mining sites at Chunya, Mpanda, Morogoro, Manyoni, Geita, and Bukombe.
- Support fair trade initiatives for artisanal gold
- Provide financial assistance to ASM: (i) entrepreneurship development and business support; (ii) establish schemes for equipment leasing and local fabrication of tools; (iii) development of small grant programs to support miners and community-based mining organizations.
- Strengthen linkages between LSM and ASM starting with pilots in Geita Kahama, Tarime and Biharamuto districts, and scale up these projects by expanding into other districts.

Thank You



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