

# World Bank Initiatives in the Extractive Industries: Case of the Communities and Small-Scale Mining Solution Initiative CASM-SI

Mamadou Barry  
Sustainable Energy Department  
Oil, Gas and Mining Unit  
World Bank Group  
November 1, 2011  
Geneva



# World Bank's Global Initiatives in the Extractive Industries

## Extractive Industries Transparency Initiative (EITI)

- Revenue transparency, tripartite process and platform for governance and accountability

## Extractive Industries Technical Advisory Facility (EI-TAF)

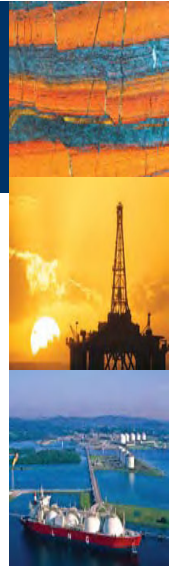
- Rapid response and support for contract negotiations

## Global Gas Flaring Reduction (GGFR)

- Capturing flared gas for energy

## Communities and Artisanal and Small Scale Mining (CASM)

- Sustainable livelihoods for the poor and reducing conflict





## Evolution of Donor Interventions in Artisanal and Small-Scale Mining

- There are an estimated 20 million small-scale/artisanal miners operating in over 40 countries; About 100 million people depend directly or indirectly on this activity for their livelihood.
- During the 1970s the focus of ASM was on defining the scope of ASM and assessing its technical, financial, social, developmental, human rights, and environmental challenges.
- In the 1980s donor interventions focused on addressing technical issues in the hope that this will resolve financing and environmental issues and encourage miners to get organized.
- In the 1990s, consensus developed over the need for an integrated approach (policy, legal, technical, environmental) for the sustainable development of ASM
- By 2000, community issues including relationships between ASM and large mining companies became the main focus of ASM concerns.
- The original 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 efforts to address emerging ASM issues

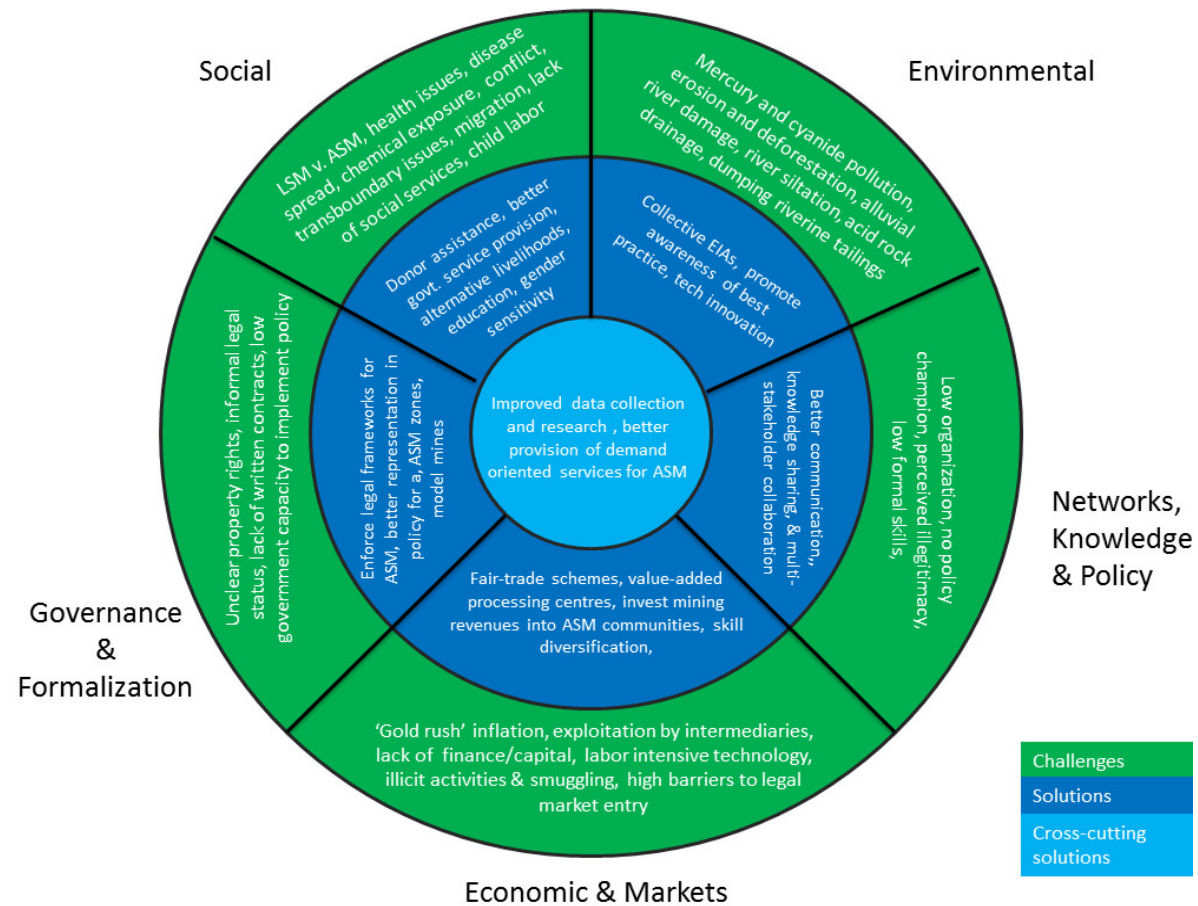
- The original CASM has succeeded in building an a global networking, knowledge sharing and coordination facility by providing:
  - **Advocacy:** promoting awareness among the international and regional communities regarding the development opportunities offered by supporting ASM.
  - **Facilitation:** networking, project development , technical assistance, dissemination of best practices
  - **Knowledge sharing:** research, conferences, websites to disseminate knowledge about ASM issues
- The networking/knowledge sharing is still useful, but there are new challenges requiring coordinated action to provide on-the-ground solutions
  - **National governments desire TA to realize the potential of ASM and better manage the social and environmental issues of the sector.**
  - **Provincial governments have realized that artisanal mining does not provide sustainable employment for their restive youth and are seeking alternative livelihoods.**
  - **The international community is concerned about the relationship between ASM, supply chain transparency, and the trade of conflict minerals, particularly in the Great Lakes Region**
  - **Large mining companies are interested in solutions for managing community risks and minimizing potential conflicts with artisanal miners which lead to disruptions of their operations.**



## Lessons from Donor Interventions in Artisanal and Small-Scale Mining

- **Pilot programs and piecemeal solutions have not worked:** Scale and replication is needed.
- **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.
- **Governance issues are receiving greater attention:** The role of ASM in the dynamics CASM of conflict in the Great Lakes Regions has brought more attention on transparency and governance issues surrounding ASM.
- **To integrate ASM in 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 the comprehensive issues affecting the sustainable development of ASM.

# The need for a comprehensive approach to address the multi-faceted issues of ASM





# Focus on Conflict Minerals

## Conflict potential along the ASGM Supply Chain

- **Mine site level:** ASGM is associated with encroachment of property resulting in conflict among artisanal miners; between miners and traders; and between miners and international mining companies.
- **Local Community level – informal buyers:** ASGM exacerbates community tensions over property rights, gender equity, in-migration and the pressure on existing resources, environmental degradation, upsetting of cultural and social norms.
- **Provincial level – trading houses:** provincial authorities are concerned about chaotic migration driven by ASGM could lead to greater demand for social services without corresponding increases in tax revenues from trading houses.
- **National level - exporters:** Smuggling has sometimes led governments to use law enforcement powers (including security forces) to regulate the activity, resulting sometimes in human rights abuses and internal conflict.
- **International Level – transit countries:** ASGM has been linked to violent cross-border conflicts, especially in the Great Lakes Region, leading the international community to classify gold as a “conflict mineral.”



## Minerals and Conflict: Case of the Great Lakes Region

- An estimated 95% of the gold produced in Eastern DRC is traded informally through illicit channels involving armed groups, including regular army officers.
- In the Eastern DRC, a mix of non-state armed group - renegade Congolese army troops, Rwanda-influenced Tutsi rebels and fugitive Hutu fighters from the 1994 Rwandan genocide - controlled mines that generated hundreds of millions of dollars in revenues which fuel the war in the region.
- Conflict minerals include wolframite, cassiterite, columbo-tantalite and gold. Gold is second only to tin in contributions to financing armed groups in the region.
- To stem the flow of conflict minerals, the Congolese Government imposed a ban in September 2010 and initiated military campaigns against Rwandan rebel group Forces démocratiques de libération du Rwanda (FDLR) and Mai-Mai militia , but the Congolese Army took over control of mining and trading sites, prompting revenge attacks from the FDLR.



## International efforts to break the link between minerals and conflict

- **International Conference on the Great Lakes Region (ICGLR) - Protocol Against the Illegal Exploitation of Natural Resources (2008):** requires ICGLR member states to criminalize illegal exploitation and encourages them to create certification mechanisms for minerals from the region. Has resulted in the ICGLR Mineral Tracking and Certification System.
- **International Tin Research Institute - Tin Supply Chain Initiative (2009) :** sets licensing and documentation standards from the mine site to the sales point (comptoirs); and from comptoirs to smelters.
- **Electronic Industry Associations (Global e-Sustainability and Electronic Industry Citizen Coalition) 2009:** working on sourcing and auditing standards for tantalum .
- **OECD - Due Diligence Guidance for Responsible Supply Chain from High Risk Areas (2010):** provides model of mineral supply chain policy, risk mitigation measures, and performance indicators.
- **US Government – Dodd-Frank Section 1502 and SEC Rule (2010):** sets disclosure requirements for US Securities and SEC registrants regarding the use of specific minerals from “DRC Countries” defined as DRC, Central African Republic, Burundi, Rwanda, Uganda, Republic of Congo, Sudan, Zambia, Angola, and Tanzania



## Implications of conflict mineral legislations: Case of the US Dodd-Frank Regulation

- More public scrutiny on consuming companies: an estimated 5,500 companies affected: (i) Affected companies can no longer rely on assurances from suppliers that 3T&G minerals are conflict-free (burden of proof is upon companies to find out the precise source of the minerals they buy); (ii) if 3T&G minerals originate from “DRC countries” a Conflict Minerals Report about the due diligence on the source and chain of custody of the 3T&G must be prepared and disclosed as an Exhibit to the annual report; (iii) the Conflict Minerals Report must be independently audited.
- Risk of export loss for producing countries: 10 mineral producing countries in Central Africa affected. These countries must have a credible certification mechanism or risk a ban from consuming companies. Tanzania estimates losses of up to US\$75 million per year in export revenues, and up to 2000 jobs. Rwanda could lose the entire value of its 3T minerals exports (valued at US\$ 67.8millions in 2010, or 23% of total exports).
- Expandable reach: Dodd-Frank leaves open the possibility of including other minerals and country of origin and has prompted the European Union to consider similar legislation.



## The Missing Link in implementing conflict-free ASM development

### A coordinated action to support on-the-ground solutions aimed at formalizing ASM supply chains

- National governments are requesting assistance to help formalize ASM as a way to better manage its adverse social and environmental impacts and realize its potential for poverty reduction, and to meet the requirements of Dodd-Frank to protect their exports.
- The international community is concerned about the relationship between ASM, supply chain transparency, and the trade of conflict minerals, particularly in the Great Lakes Region and is seeking ways to address the problem.
- Mining companies are seeking to mitigate conflict and disruption of operations, and to meet the disclosure requirements of Dodd-Frank regulations.

But...

- International efforts are highly disjointed. There is no coordination between the various initiatives. There is now greater demand for coordinated action to provide on-the-ground solutions to ASM issues
- Companies are often going it alone on ASM, trying short term solutions which buy them “peace” for some time.
- Industry associations like ICMM, the World Gold Council the Electronic Industry Citizenship Coalition are trying to come up with policies and standards for their members, but these efforts are not well coordinated.

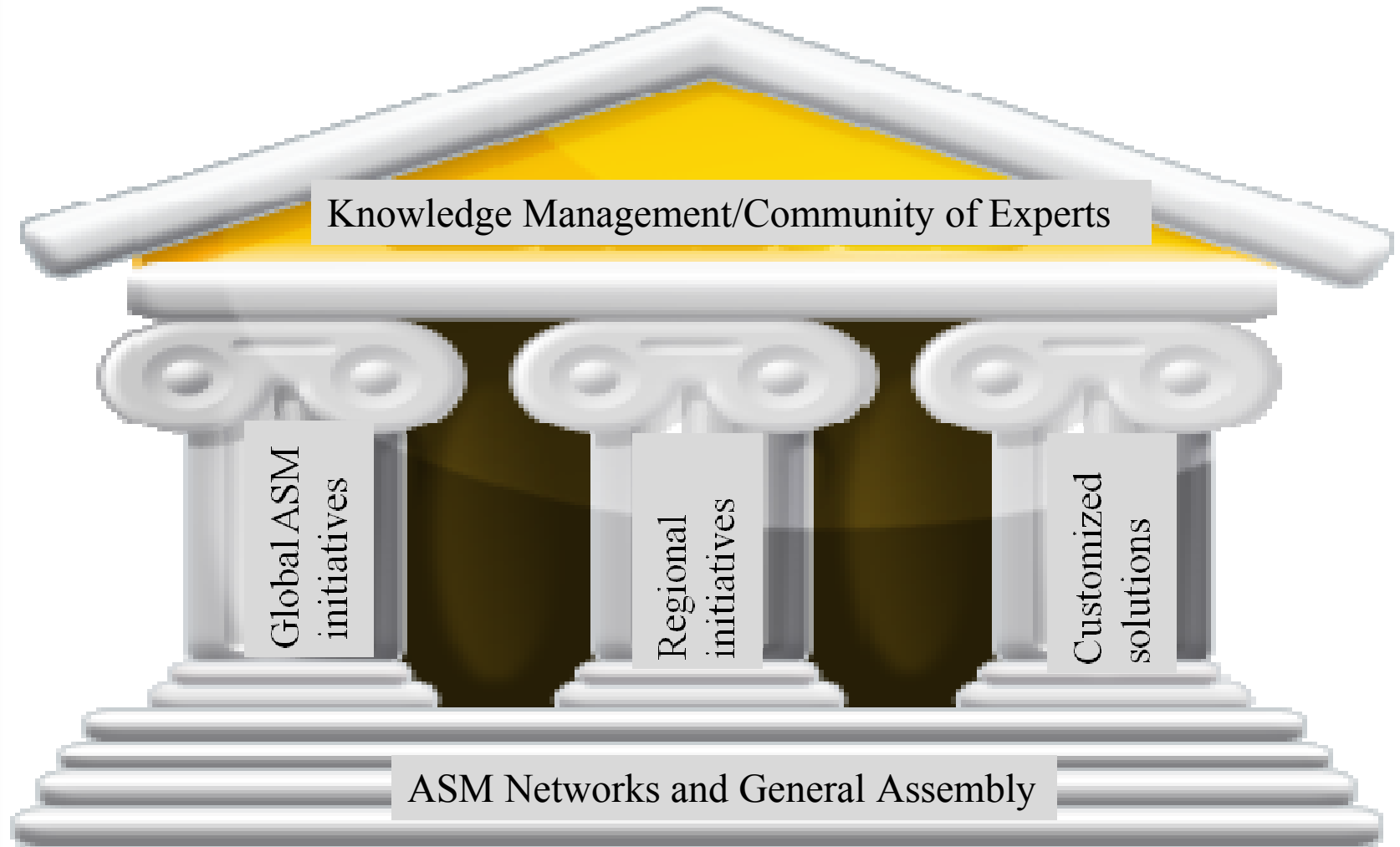


## The World Bank's Response

### Communities and Small-Scale Mining Solution Initiative (CASM-SI)

- Mission: CASM-SI is a multi-stakeholder initiative that aims to build capacity in order to reduce poverty, promote sustainable development solutions to ASM, and protect human rights, health, and the environment in countries where ASM is an important economic activity.
- Members: Government agencies, donors, corporate, civil society, and ASM stakeholders in CASM-SI hold each other mutually accountable for meeting capacity building objectives set globally and by region/country.
- Methods: CASM-SI 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.

# Pillars of CASM-SI

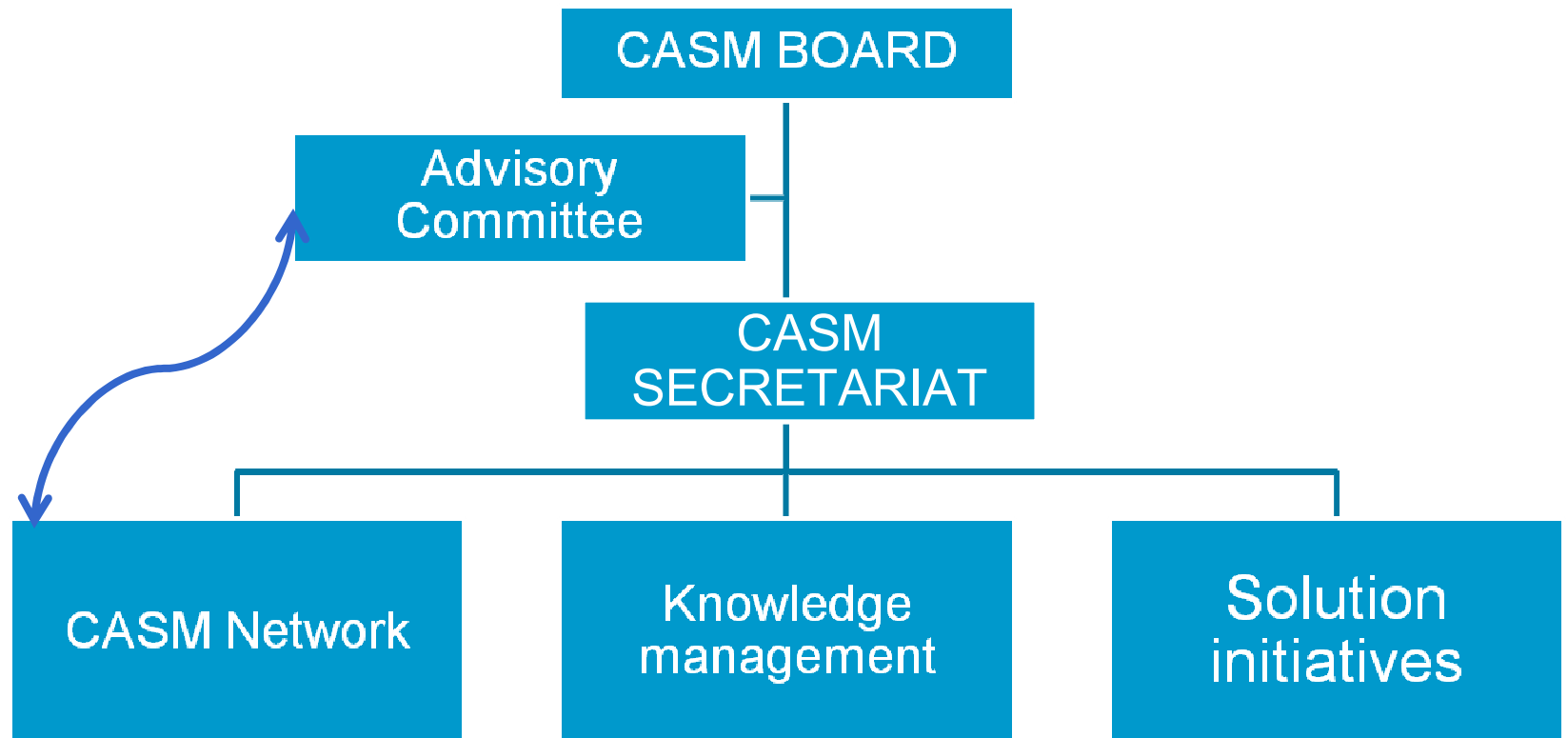




## CASM-SI Approach to ASM Intervention

- Providing tailor-made, rather than generic solutions: CASM-SI will seek greater involvement by mining companies and ASM associations to seek solutions that are built from an understanding of social, cultural, political, environmental and economic context of ASM activities.
- Seeking innovative solutions: CASM-SI moves away from treating ASM as a mining issue, and promotes cross-sector solutions that draw on interdisciplinary learning.
- Leveraging World Bank and donor support to implement global and regional ASM initiatives: Global mercury, ASM formalization, Kimberly Process, Mineral certification
- Deploying rapid-response in-country solutions: CASM-SI will be well-integrated into donor and Bank country programs and will seek matching funds from private companies to provide rapid-response in-country solutions to specific ASM issues.
- Ensuring Mutual Accountability: CASM-SI members hold each other mutually accountable for results, through joint goal-setting and project assessment paired with transparent communication about results.

# CASM-SI Governance and Organizational Structure



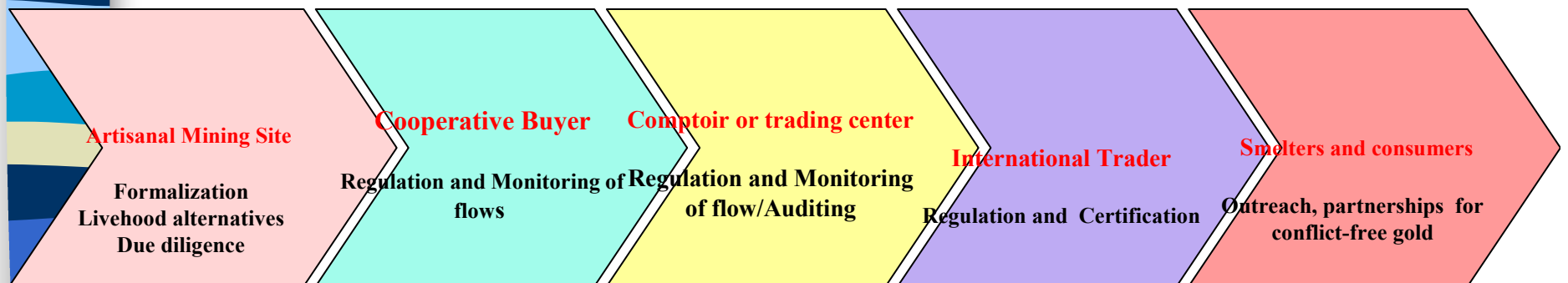


## CASM's Tools for Conflict Prevention in ASM

- **Advocacy** – CASM advocates addressing AGM issues in a systematic, practical, and sustainable manner.
- **Facilitation** – CASM facilitates networking and dissemination of best practices regarding AGM. It also facilitates the development of projects that contribute to the well being of AGM communities, with the aim of transforming ASM into a viable sector for developing countries, and providing tools to ASM communities to improve their quality of life.
- **Knowledge Sharing** – CASM provides a platform for knowledge sharing and it promote research, knowledge development, and dissemination of knowledge around ASM issues.
- **Technical Assistance:** Of 47 developing countries listed by CASM staff where ASM is of medium to high importance, about 13 have WBG or donor supported projects under way or currently being planned with a component to address ASM issues.
- **Partnerships:** CASM is aiming to build new multi-stakeholder partnerships to address the comprehensive issues affecting the formalization of ASM as a way to minimize conflicts and promote sustainable development.

# How Would CASM-SI Support a Mineral Tracking and Certification System

- CASM-SI would: (i) establish a multi-donor trust fund on conflict minerals; (ii) raise funds through public and private entities; (iii) hold consultations on key priorities for support; and (iv) deliver support through governments or regional entities, such as the International Conference on the Great Lakes Region (ICGLR).
- Key activities to be supported could include: (i) formalization of artisanal mining supply chains; (ii) coordination of various initiative and harmonization of national laws and policies; (iii) support for the establishment a regional certification scheme; (iv) setting up a tracking and monitoring system of mineral flows along the trading chain; (v) support of complementary measures at the country level (livelihood alternatives and community development programs).

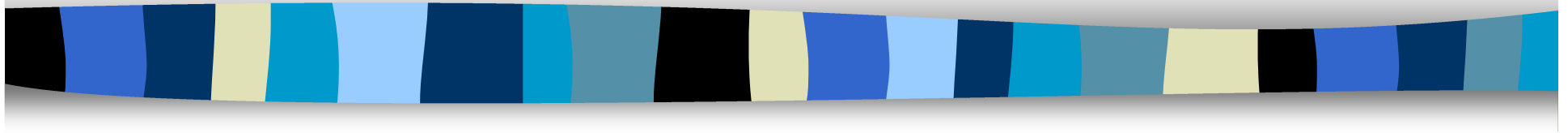




## Proposed Focus and Goals for CASM on Conflict-Free Gold for the Next Three Years

- Supporting the formalization of the chain of custody of small-scale and artisanal mining: focus on upstream links of the supply chain – mine site, trading houses, exporters, transit countries.
- Building government's capacity to implement certification schemes to comply with conflict minerals legislation (mainly Dodd-Frank):
  - **Traceability of origin:** support of database of mineral flows to ensure that the origin and production volume of minerals are transparent.
  - **Certification:** support of regional standards and processes to help certify that products containing 3Ts&G are conflict-free .
  - **Auditing:** support of quarterly third-party audits of the regional certification scheme.
- As in the DRC, leveraging Bank-funded technical assistance (about US\$50 million) with donor contributions (about US\$50 million) to support the sustainable development of ASM: policy guidance/reform, training and capacity building for formalization of ASM; support for livelihood alternatives.
- Information dissemination and advocacy: organize joint events with the World Gold Council to increase public awareness and mutual understanding among stakeholders about public and private efforts to promote conflict-free gold standards.

# *Thank You*



Mamadou Barry  
Manager, Oil, Gas and Mining Unit  
Sustainable Energy Department  
Tel: 202 473 3561  
Email: [pdesa@worldbank.org](mailto:pdesa@worldbank.org)

