**Supply Chain and Due Diligence Challenges**

**PROBLEM STATEMENT**

**Artisanal Miners – Bound by Informality**

An estimated 20 million people in the developing world make their living through artisanal and small-scale mining (ASM), and the livelihoods of more than 100 million people are dependent on the sector (1). Yet the industry suffers from widespread informality and limited resources for professionalization and technical support.

As a result, this economic activity is often linked to challenging social and environmental concerns, including unsafe working conditions for the miners themselves, exacerbation of gender inequity, forced and child labor, and health impacts to local communities and ecosystems from improperly managed extraction techniques.

Many who wish to improve their practices are prevented by the necessary investment in the training or technology to do so, or a lack of access to services due to their informal status. Although many artisanal miners wish to become formal, they are often stymied by opaque and sometimes conflicting policies and processes at a national level, as well as the expense associated with formalization.

They often lack tools, information, and resources which limit their market access and negotiating power with local purchasers, limiting opportunities to improve their well-being or invest in better equipment. They may be dependent on predatory lenders in order to finance labor or equipment used in mineral exploration. Especially in conflict-affected and high risk areas (CAHRA), miners are vulnerable to exploitation by armed groups, militias, paramilitaries, and others engaged in illicit activity. Profits to such armed groups from these minerals further undermine the rule of law and stability, exacerbating and further entrenching the problem. Many of these challenges could be significantly mitigated if ASM miners had access to legitimate and fair creditors and customers. But until they can demonstrably meet minimum standards, such markets remain out of reach.


**Industry Perspective**

**On the market side, demand for electronics, jewelry, and other products using precious minerals increases downstream industry’s need to secure reliable and broader supply.**

Many companies see a dual opportunity to contribute to economic and social development in CAHRAs by providing livelihoods for artisanal miners. But appropriate due diligence and risk management requires that minimum conditions including basic performance measures, screening for involvement by illicit actors, and implementation of appropriate monitoring systems be met in a credible and verifiable manner.

Many countries and important global industries helped develop and have rallied behind the principles outlined in the Organisation for Economic Cooperation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

This guidance has been successfully incorporated into policies and standards for industrial trade associations and standards-setting organizations, such as International Council on Mining and Metals (ICMM), World Gold Council, the London Bullion Market Association (LBMA), Responsible Jewellery Council (RJC), and others. Although OECD has issued supplemental and high-level guidance for companies seeking to source from artisanal miners, there is not the same level of technical and widely-agreed criteria and guidance on how these principles should be applied in an artisanal environment, and which supply chain partners are responsible for various information and assurances. As many supply chain risks exist at the mine site, local or regional level, the industry needs a practical tool that is applicable, verifiable, and relevant to the artisanal context.
Policy Context

Following the introduction of the OECD Due Diligence Guidance, regulations in the European Union and the United States, and regulations in ASM countries, the industry has been adopting mandatory and voluntary responsibility frameworks related to sourcing gold from CAHRA and beyond. Heightened attention, performance expectations, and regulatory requirements have amplified the risk of further entrenchment in a second-tier market those artisanal producers not implementing due diligence practices.

Responsible sourcing of minerals

Many industry leaders have expressed interest in contributing to economic and social development in CAHRAs through responsible sourcing of minerals, and enabling improved performance of the artisanal mining sector. However, a standardized and efficient mechanism, combined with capacity building, is necessary to viably manage the risks associated with purchasing from this sector.

Problem especially pronounced for gold

The dense concentration of the world’s tantalum and tin in the Great Lakes Region of Africa, along with intense attention from NGOs and electronics and automotive companies to the problem of conflict-minerals in the region, has resulted in great strides toward development of legal, OECD-conforming supply in that region. Due diligence systems like iTSCi and Better Sourcing Programme have been recognized as OECD-conforming, enabling sourcing from the region in a way that supports due diligence by downstream purchasers.

Conflict financing, smuggling, money laundering, pre-financing, and entrenched miner-trader/buyer relationships create significant inertia in the face of formalization.

As a high-value mineral, gold has unique market drivers and barriers to formalization and existing ASM systems, especially in conflict-affected areas.

Gold also has unique physical properties that challenge the systems that have worked for tin and tantalum. Gold is more easily mined and refined by a single individual. The resulting material is very valuable in small quantities, which are easy to smuggle. Artisanal tantalum mining, in contrast, produces large rocks that cannot be reduced without specialized equipment, and which are less practical to transport.

Without widely accepted and detailed criteria and guidance to address these nuances for artisanal gold, companies risk misinterpreting OECD guidance and losing the status conferred by their trade associations’ standards. While LBMA, RJC, and others have recognized responsible gold standards like Fairmined and Fairtrade, which go far beyond the requirements of OECD to certify artisanal miners meeting elite environmental and social performance requirements, the vast majority of artisanal miners are unable to attain such certification without significant time, training, and investment.
Scaling up Solutions

Pioneering organizations like Partnership Africa Canada, Tetra Tech, Alliance for Responsible Mining, Solidaridad, Artisanal Gold Council, Pact, and others provide training and equipment to improve miners’ livelihoods while reducing their negative social and environmental practices and impacts. However, as such interventions necessarily take place on a site-to-site basis, this approach is insufficient for addressing the scale of the problem.

Numerous venues, from OECD, to UNIDO, to the Responsible Artisanal Gold Solutions Forum, have facilitated discussion among these leaders to identify common challenges, critical nuances that may vary from site to site and country to country, and promising approaches. Consolidating, systematizing, and supplementing this information, with additional stakeholder insight, into a practical assessment and verification framework will amplify and make more accessible lessons and practices, informed by the collective experience of these organizations and their partners, paired with commonly-defined market expectations and development goals.

A Market Entry Standard

The Alliance for Responsible Mining and RESOLVE are working together to develop a technical standard for minimum market acceptability that will establish shared expectations between artisanal gold producers and downstream users and a framework for assessing performance, creating efficiencies and enabling a greater scale of environmental and social improvements by the sector, and improving economic opportunities and working conditions for potentially millions of artisanal miners, their families, and their communities.

By establishing clear, appropriate, and widely-accepted criteria and expectations – and by demonstrating their efficacy through pilots – the Market Entry Standard will reduce the cost and time required for upstream and downstream partners to navigate difficult questions, while increasing the speed with which high quality due diligence can be conducted and new artisanal gold supply brought online. Such efficiencies would enable technical assistance organizations to provide services to a greater number of beneficiaries and allow donors to achieve greater impact with the same resources. It could serve as a blueprint for companies, development projects, and governments working with artisanal miners to tackle worst practices and improve market access. It could also be incorporated into existing certification systems as an entry point, with clear and incremental benchmarks to access higher certifications and associated benefits, such as potential market premiums.

While many artisanal mining cooperatives are not currently capable of meeting the advanced performance requirements of elite certification systems, an intermediary standard assessing essential due diligence practices and performance will establish an achievable benchmark for miner organizations and cooperatives to meet essential requirements of global industry, while identifying a pathway toward additional improvement and opportunity. Even without technical assistance, mining cooperatives will be able to use such a standard as a checklist to inform the improvements needed to become acceptable to global markets. Downstream, companies and associations will be able to the standard to inform their sourcing policies and practices.

For further information, please contact the Alliance for Responsible Mining (standards@responsiblemines.org) or RESOLVE (tkennedy@resolv.org).