

CASE STUDY:


COLOMBIA

LA LLANADA, NARIÑO

JULY 2018



ALLIANCE FOR
RESPONSIBLE MINING



PILOT APPLICATION OF THE CRAFT APPROACH WITH ARTISANAL AND SMALL-SCALE MINING PRODUCERS

The CRAFT (Code of Risk-mitigation for ASM engaging in Formal Trade) is based on the *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* launched by the Organisation for Economic Co-operation and Development (OECD). Through the **mitigation of the highest risks in mining**, the CRAFT seeks to incentivize the early and sustainable **connection of the Artisanal and Small-Scale Mining Producers (AMPs) with formal markets** and, likewise, enable them to enter into a process of formalization and progressively adopt mining best practices.

CASE STUDY OBJECTIVES:

Assess to which extent did the CRAFT-based intervention help the AMPs:

- **Integrate an OECD-due diligence compliance driven risk mitigation** as part of their strategy of progressive improvement and adoption of good practice;
- **Connect with formal supply chain actors** that offer better trade conditions;
- **Gain legitimacy** among the public and supply chain stakeholders.

TERRITORIAL CONTEXT

Despite a level of unsatisfied basic needs (37.1%, NBI in Spanish) lower than the departmental average (48.8%), its population yet suffers **higher necessities than the national average** (27.8%). The municipality also faces serious connection issues with the rest of the region and of the country due to its location, the important relief and unpaved roads.

Even if the tertiary sector is considered as the main contributor to the local Gross Domestic Product (GDP), **the primary sector (mainly agriculture and mining) seems to play a critical role in the economy.**

The municipality is composed of 20 mining

producers' units. The units mainly carry out **subterranean gold mining** (there are around 62 mining shafts), but **gold panning** is also present in the territory. The city council has engaged with the sector of Artisanal and small-scale mining (ASM): this enabled the creation of a **mining office dedicated to the support of ASM miners**. Some of the reasons why Llanada was chosen as one of the pilots are the previous experiences of supporting the miners from the Cooperative of Miners of La Llanada (COODMILLA) and the collaboration with the local authorities in the past years.

This made the entry in the territory easier.





INITIAL SITUATION OF THE MINERS

ARM has been working with COODMILLA for several years under the model of the **Fairmined Standard**.

Coodmilla is a cooperative of miners that was created in 1977 and today it is composed of 165 shareholders from the municipality. In 2015, 5 pioneering working fronts pertaining to COODMILLA achieved the certification, followed by 5 more in 2017. Although the cooperative is the owner of the certification, **most of the mining working fronts are still in the process of formalization** and cannot enter

into the Fairmined Certification scheme yet.

CRAFT was seen as an opportunity for connecting these non-certified miners with the formal market, and to lead the full cooperative to the compliance of the increasing due-diligence requirements formulated by the buyers. COODMILLA accepted the challenge of working under the CRAFT approach by mid-2017, and a gap analysis of the cooperative and of 7 non-Fairmined certified pilot fronts was conducted.

The **main conclusions** of this initial assessment were:

- At the level of the **mining fronts**:

- ▶ The **absence of child labour** and apparent discrimination;
- ▶ The use of **personal protective equipment**;
- ▶ The **awareness about basic well-being** of the workers;
- ▶ The **lack of implementation of a Health and Safety system**;
- ▶ The **lack of participation** of the cooperative to the capacity-building program;
- ▶ The **non-application of the cooperative's traceability** procedures;
- ▶ The **absence of a waste management plan** in some fronts;
- ▶ An **open-mindedness** and willingness to change and do things well.

- At the level of the **cooperative**:

- ▶ 10 mining fronts certified **Fairmined**, as an example of **best practice**;
- ▶ **Good traceability** and internal control practice;
- ▶ A willingness to leverage the Fairmined experience and **invest in the improvement** of practices of the non-certified working fronts;
- ▶ The **lack of a complete alignment with the OECD** due diligence requirements;
- ▶ A need to renew their Investment and Operation Program (**PTI** in Spanish) before the authorities;
- ▶ Some issues regarding the **legal access to explosives**;
- ▶ The **discontinuation of banking services**, and the impossibility to monetize their transactions.



DIRECT INTERVENTIONS WITH COODMILLA

Building on the conclusions of the baseline assessment, **improvement plans were drafted** for which the participation of all the actors was encouraged. The goal was to promote the **sharing of responsibilities between ARM and the miners** to ensure that the participants would gain autonomy and become the main driving force for change.

The strengths and experience of the cooperative in **adopting good practices** showed that most of the activities related to mining operations and administration could be run by the miners and the internal staff themselves: implementation of registers, improvement of the comfort for workers, introduction to and implementation of the health and safety management system, trainings in health and safety, training on formal hiring and social security affiliation, among others.

ARM focused on **3 main topics**:

The co-design, together with the miners, of a **self-care campaign** on health and safety issues with the elaboration and distribution of mugs and caps with prevention messages, and signposting that invite to observe the risks in their mining site and to promote safe working conditions;

The **work towards the mitigation of most critical risks, based on the CRAFT approach, with a series of workshops** that allowed to: introduce the CRAFT and the due diligence process, identify which kind of most critical risks they were exposed to and how they could deal with such risks, raise awareness about traceability issues and help the miners in their reporting of production by introducing simple templates;

The **technical and administrative support** regarding formalization and commercialization issues, particularly in the design and presentation to authorities of two plans (an air circulation plan and a mining shaft infrastructure support plan) as part of the requirements for the renewal of the PTI of two out of four mining licences of COODMILLA.





MAIN RESULTS 2018

A cooperative habilitated to **operate again after several months of suspension** due to the expiration of their PTI.



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A cooperative made aware of **what is the due diligence**, the corresponding requirements, as well as the risks to be mitigated under the **CRAFT approach**, in alignment with the increasing demand of the market;

5 out of the 7 fronts selected as a pilot complied by 100% their improvement plan, accepting the health and safety management system of the cooperative, implementing the required registers and traceability templates, as well as a formal hiring process;

CHALLENGES ON THE WAY

Although COODMILLA's shareholders are committed to the change of practice and must comply with regularization and formalization requirements as well as with the risk mitigation, there are yet several **challenges to be overcome**:

Regarding the **miners**:

- ▶ The lack of clarity for some miners about **what are the additional benefits** that would be brought by the compliance and connection to CRAFT markets;
- ▶ The challenge of **having practical tools that enable the reporting** with respect to some risks that are sometimes difficult to measure and grade.



Regarding the **external paperwork**:

- ▶ Paperwork ASM has to comply with as demanding as it is for medium and large scale mining, which converts **compliance into an arduous pathway difficult to go through** for miners that cannot rely on an external support;
- ▶ What could sound like a preventive measure (the discontinuation of banking services or the control upon the delivering of explosives) **stigmatizes all the sector** and, in the end, **affects initiatives that are looking to do the things well** in this field, seeking formalization and transparency.

In order to overcome the issues faced by the miners regarding the involvement of public stakeholders, **ARM fostered the creation and participation in existing inter-institutional dialogue spaces**.

TERRITORIAL APPROACH AND THE INVOLVEMENT OF THE ENVIRONMENT

The territorial approach that ARM supports is not only **an opportunity to solve pending issues but also a strategy in which the different actors from the public and the private sector come together and think about a governance model aiming to promote a legitimate, formalized and responsible ASM.**

ARM already had some track record of inter-institutional cooperation in the region, mainly with departmental authorities which helped overcome some barriers when COODMILLA was trying to get the Fairmined certification. Historically, COODMILLA has been receiving the support and visits of control from both the mining (ANM) and environmental (Corponariño) agencies. Another positive point regarding the involvement of local actors is that COODMILLA can rely on the support of the mining office of La Llanada and on its professional staff.

Building on that, and convinced of the importance of a multi-stakeholder strategy, ARM involved the **local and regional authorities in the project since the beginning by introducing the CRAFT approach and the project.** Then started the process of thinking of a model where ARM would act as a facilitator and the miners would define how authorities could help them to solve their formalization and commercialization problems.

In the process of setting up this governance model, an **action plan** was elaborated with the miners from COODMILLA, where concrete actions, responsible entities and stakeholders were identified. The main results of this process, up to July 2018, are the following:

► The representatives from the environmental office of the departmental government of Nariño visited La Llanada to help the miners from COODMILLA **define areas of environmental compensation**, to train them on the measures of **preservation and conversation of water resources**, and take part in an activity of seeds collection and planting;

► The miners could present the issues they are facing in terms of the explosives legal supply, in the context of an **inter-institutional special roundtable** with the presence of high-level representatives from the authorities involved in the departmental governance, the control of mining activities and the delivery of explosives. After the process got clear, some miners from COODMILLA could then **register before the authorities to supply explosives and the authorities engaged in facilitating the inscription** of the miners to access explosives as well as carrying out visits of inspection;

► Together with ARM staff, miners from COODMILLA could participate in a **session of discussions regarding the access to bank services**—including monetization—, conducted with the Ministry of Mines in Bogota, in order to find concrete solutions for the miners that are committed with transparency, formalization and the adoption of good practice;

► The discussions and interviews with the main institutional stakeholders enabled the drafting of a **report on the kind of and level of risks present in La Llanada**, based on the CRAFT guidelines.

To summarize this section, it can be said that the willingness of the local and regional authorities is noticeable and some progress has been made. However, **the conversion of dialogue into action can take time and the concrete change can depend on a decision at a higher level.** The renewal of the PTI and the environmental activities were positive results of the multi-stakeholder engagement. On the other side, despite the efforts to leverage the issues faced by the miners first regionally and then nationally, the access to explosives and to banking services continue to be a challenge and further advocacy is still needed.





WHAT WE HAVE LEARNED

After one year intending to implement the CRAFT approach in the territory of La Llanada, with the miners of COODMILLA and the participation of different private and public stakeholders, here are the main outcomes:

- The **importance of combining a direct support to the miners with a more institutional approach** in order to help the miners overcome formalization and commercialization issues;

- **Bringing the miners and their concrete story to the inter-institutional dialogue spaces facilitates the comprehension** of the issue by the different actors and leverages the possibility for them to take decisions. Moving up particular cases from local to regional and national spaces seems effective;

- For miners who already receive an interesting price for the gold that they sell informally, **it could be worth thinking of an intermediary incentive** (between the simple market price and the fair price + premium if certified under best practice scheme such as Fairmined e.g.) **that would reward the commitment** towards the risk mitigation and progressive adoption of good practice;

- Although the **good educational background of some miners or administrative staff from COODMILLA facilitates their adoption of the recommendations**, it is crucial that the concepts and tools related to the due diligence and risk mitigation process are made easily applicable and replicable by all;

- **Listening to and taking into consideration the realities and capabilities of the miners when planning and implementing activities is key** in order to make sure that the approach corresponds to the miners' needs

and to guarantee that the miners gain confidence and feel regarded as the actors of their own change;

- **The formalization requires the compliance to complex paperwork** and this is, without a doubt, a barrier to the formalization of ASM given that even the organizations with quite a strong internal capacity (presence of professional staff) cannot achieve it adequately;

- **It can make sense to combine the mitigation of highest risks with other activities that bring a concrete and direct benefit to the miners** and their operation process in order to boost the participants' motivation by generating visible changes of practice and perception, so that the CRAFT approach is not only perceived as a demanding process;

- If most of the risks can be mitigated in some way, **the risk of extortion remains a critical one, difficult to mitigate** because of the pressure and threats that can suffer the victims of such a crime. Having a comprehensive approach with this kind of events seems to be the best way to guarantee that the miner is not excluded of a process for being involved in a risk where his position is clearly the one of a victim;

- **The stakeholders** – mostly public and private institutions- **must implement a differentiating approach** to make sure that the miners engaged with formalization, transparency and the adoption of good practices can have an easy access to the different facilities (access to explosives, monetization, etc.). If they do not do so, there is a high risk for the miners to continue working and trading informally, and not being incentivized to formalize.

STEPS TOWARDS THE SUSTAINABILITY

In July 2018, the first phase of the involvement of COODMILLA under the CRAFT approach ended. **Although there were positive results, the objective of a CRAFT-conformant pilot sale could not be achieved, because of the factors exposed previously.** From July onwards and for the next two years starts a **new phase of support**, during which it is expected that the last barriers will be overcome and that the non-certified mining fronts will sustainably access the formal markets and enjoy the corresponding benefits. In order for this to occur, several conditions have to be met:



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- **COODMILLA completes its process of formalization** and recovers the access to explosives and to monetization;
- **The institutions engage for the regularization and formalization of ASM** and its access to formal markets, both by taking concrete actions in the territory and by adapting the rules to the context and the reality of ASM;
- **COODMILLA continues strengthening its internal control system**, in alignment with the CRAFT requirements;
- **Stakeholders from the supply chain confirm their willingness to source part of their gold from ASM** and adopt a proactive attitude to support ASM with the due diligence requirements, for an early and sustainable connection with the formal market;
- Ideally, **agreements with other initiatives** that source responsible gold are made to create intermediary incentives for a CRAFT-compliant sale, and to go beyond the simple market price.



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