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# Gold lures small-scale miners into global market



By Rahilla Zafar

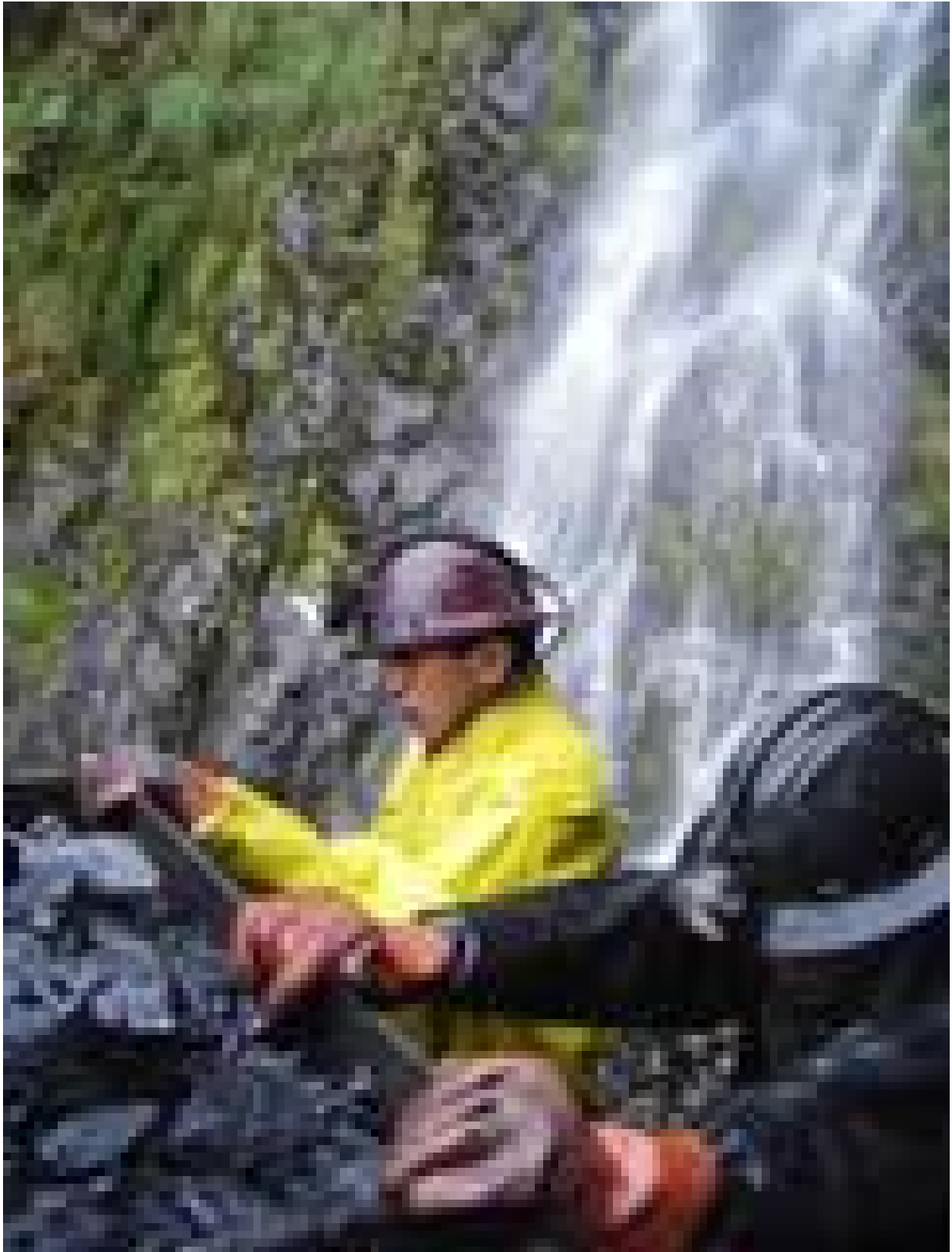
**Victoria Paxi used to live in Lima, the capital of Peru, working in a restaurant or washing clothes to earn about 60 dollars a month, while her husband worked hours away in a mine.**

“It was expensive to live in Lima and when the opportunity came for women to be part of small-scale mining, it gave us a chance to live with our husbands,” she says.

Today, Paxi is president of Gutierrez, a women’s mining cooperative and her family no longer lives apart.

“All of Peru is a mining country. In places where there are no jobs or education, it offers the only opportunity for the poor,” says Paxi.

She earns 100 dollars a month helping sift for gold and says mining gives the poor and unskilled a chance to earn an income.



According to Cleotilde Chuquicondo, part of another women's mining cooperative called Esperanza (Hope), many in Peru were internally displaced after intense fighting in the 1980s.

“Those that worked in agriculture lost their land but have since found refuge in mining,” says Chuquicondo.

Gold is a multi-billion dollar global industry that conjures up images of glitz, glamour and wealth. However, it is also a business that hides an underbelly of exploitation and environmental damage.

In resource-rich Peru a miner can work 12 hours a day and still struggle to bring home \$50 a month. On top of that, a simple 10-gram gold wedding ring can create up to three tonnes of toxic waste.

While the movie Blood Diamond has helped create some awareness of the exploitation of miners, little has actually changed within the jewellery industry.

According to the International Labour Organisation, more than 100 million people depend on small-scale mining as a seasonal way of earning an income.

Each year 60 tonnes of gold, approximately one billion dollars worth, is produced by miners who almost never get a fair share of the profits.

However, a number of organisations are hoping to change all that by bringing ethically-sourced precious metals to the market.

“Fair trade will create more environmentally-sound living conditions and additional money from a premium will allow us to create women’s shelters and support groups in our community,” says Paxi.

The pioneering Alliance for Responsible Mining (ARM) was formed in 2004 to show that a transparent supply chain can be created. ARM is not only helping to improve environmental, social, labour and economic standards in mining, but also help facilitate small-scale miners to enter international markets.

The organisation has partnered with [\*\*Fairtrade Labelling Organisations International\*\*](#) (FLO) to create the world’s first international fair-trade certification system for gold. In 1996, long before ARM was formed, its co-founder Greg Valerio created [\*\*Cred Jewellery\*\*](#) and began advocating transparent sourcing of gold.

“The poor have access to less than 20 per cent of the world’s resources and this hasn’t changed for decades. But these statistics

don't mean anything. Fair trade has become a vehicle to communicate this reality," says Valerio.

Providing education alone was not enough; he wanted to prove that you could successfully sell a high-end product, while creating job opportunities for communities.

"I wanted to sell a product where the skills and quality assurance are there and not just something people would buy out of guilt, you cannot build a major business that way. We had been calling for a transparent source of gold since 1997, but there wasn't one to be found," he explains.

That was true until 1999 when social entrepreneur **Catalina Cock** and a group of friends set out to create a certification system for ethically-sourced metals. Her efforts soon gained international attention with several groups joining forces in order to improve mining conditions worldwide.

"Getting a call from Catalina was a real breakthrough as the market finally began to connect with the source," says Valerio.



Cock's work began while trying to stop the Pan-American Highway from being built in the volatile rain forest region of Chocó in Colombia. Her group, Amichoco Foundation, quickly realised that mining was creating the biggest environmental problems for the area.

Although the region was rich in gold and one of the few places in the world where platinum can be panned, the local population lived in poverty while rampant deforestation, along with water, soil and air contamination, damaged the environment.

Uncertified miners were renting pieces of land for nominal amounts of money and often left it so polluted from mercury and cyanide that the local people

were no longer able to farm.

“On the global context, there was no existing certification for metals or gems. Nobody was talking about a socially- and environmentally-responsible supply chain for gold,” says Cock.

Almost a decade ago, not only did Cock help develop Oro Verde (Green Gold), the first certification system for ‘environmentally-friendly’ metals, she led the creation of ARM as a mechanism to scale up and adapt the Oro Verde initiative to other regions around the world.

Through a certification scheme, and by providing economic incentives, the people of Chocó were encouraged to take up mining themselves rather than rent out their land to others that would not treat it responsibly and reap its profits.

Community members were taught how to do traditional and more responsible mining practices using no mercury or cyanide, land restoration techniques and water management.

**Ervin Renteria**, a miner from the Chocó region, is part of a local non-governmental organisation called Fundamojarras that was one of the first to work with the Oro Verde programme. He comes from a mining family and says working with Oro Verde gave him a different vision on the responsibility miners have to their land.

“It is especially relevant in Chocó where protecting the land is very important since people make a living from mining, fishing and agriculture. Bad mining practices create so much pollution that many are no longer able to farm or fish,” he says.

More than 1,400 miners have joined the programme which has helped protect over 7,900 hectares of land from the impact of conventional mining.

While not all miners are part of Oro Verde, Renteria says that many are becoming better organised and moving in the direction of responsible mining by no longer burning mercury, using retorts and taking part in land restoration projects.

In 2007, ARM began nine pilot projects in Bolivia, Peru, Ecuador and Colombia as a mechanism to adapt and replicate the Oro Verde scheme. It has also given small-scale miners from different South American countries a

chance to learn from one another.

“In Bolivia and Peru, there is a formalised sector for artisanal mining. We are aiming to create that in Colombia too but the progress has been slow,” says Renteria.

ARM has set out to demonstrate that responsible mining can happen in all different contexts from indigenous Afro-Colombian communities in a tropical area like Chocó to a small community mining in the middle of a Peruvian desert and it has chosen to expand the Oro Verde criteria to include social, labour and economic factors as well.

Many communities were unaware of the toxicity of mercury, used to separate gold from ore, and most miners did not know how to recycle it safely. Not only can mercury be hazardous to the environment, but also to human health.

Quite often mercury is dumped into local waterways, creating a number of health hazards such as impairing neurological development that can lead to mental retardation.

The group also teaches the proper use of cyanide, which is considered a better alternative because, unlike mercury, it evaporates. But if used improperly and released into waterways and rivers, it can cause instant death.

The UK-based Ethical Bullion Company was formed by an investor to help test the market of ARM’s pilot projects by purchasing gold they produce. Cred Sources will be launching in 2009 to sell fair trade-sourced materials to the jewellery industry.

ARM is currently working with jewellers in Europe and the United States who are interested in buying metals from small-scale miners working with the organisation. Their long-term goal is to produce 30 per cent of the supply. The group has plans to expand to Africa this year and Asia in 2010.



“It is a joint responsibility between retailers, jewellers and mining companies. If they could invest to bring small-scale miners into the supply chain, it would transform living conditions for millions of people worldwide,” says Cock. Cock understands that in some parts of the world, it is not realistic to expect mining communities to fulfill fair trade standards.

“We are well aware that in many parts of the world, it is a gold rush situation and you can’t certify all communities. You need well-rooted organisations to work with and can’t certify mining that is illegal,” says Cock.

Another challenge during the pilot project was that in Peru, unlike other countries, the gold cannot be produced in small volumes. It is required to be mixed with other gold where its traceability becomes lost. And with an unknown market demand, it is a difficult call to determine whether such large volumes of fair trade gold will sell. Unlike large corporations that can guarantee steady purchases from suppliers, this is not always possible in a niche market.

“It is difficult for a company to walk the fine line of the development priority for poor communities and commercial priorities of a business to make a profit. As a small business you cannot afford to make mistakes, otherwise you can be out of business very quickly -- this is the great balancing act of fair trade,” says Valerio.



But the growing market demand has been promising. Five years ago when Cred Jewellery introduced its first ethically-sourced gold ring, it quickly went from a few enquiries a month to dozens per week. Today, more jewellers, mostly young designers, are eager to use certified metals.

“Certification will help speed the funding process and create instant market penetration. It remains to be seen if the label can work for gold or diamonds, or if it is too strongly associated with low-value commodities such as coffee and bananas,” says Valerio.

So far, Wal-Mart, in collaboration with Conservation International, has begun pilot projects with the goal of selling at least 10 per cent of its gold, silver and diamonds by 2010 from mines and manufacturers meeting the retail giant's certification standards which include promoting sustainable mining practices and basic human rights for workers.

But changing the entire industry is a huge challenge.

“If I sat in front of the board of a large-scaling mining company, they would agree about creating better standards,” says Valerio. “But how do you account for it? A successful company is only required to report bottom-line profits. Unless we present a valuable working model, we will never win the debate.”

ARM has set out to demonstrate that jewellery companies can be profitable without sacrificing ethics.

Daniel Lafuente is a coordinator for Cumbre del Sajama, a Bolivian-based organisation that helps train miners to implement fair trade standards proposed by ARM.

“The market is increasing and we need more quantities of gold. We would like to extend the project to other mining organisations, but it’s very hard because they don’t understand the fair trade model or commercialisation issues,” says Lafuente.

In Bolivia, the average monthly salary is approximately 80 dollars a month and Lafuente says that the miners he works with receive nearly triple that because Cotapata Mining Cooperative, who he works with, is one of the most well-organised in the country.

“A lot of artisanal miners in remote areas in Bolivia just work in rivers where maybe they find one gram of gold per day but this mining cooperative does underground mining,” he says.

Last November, Cumbre del Sajama exported the first certified gold from the Cotapata Mining Cooperative in Bolivia to the Ethical Bullion Company, effectively making this the first gold from small-scale miners in Bolivia that has been legally exported to an international market.

“Miners realise the benefit - they are selling the same gold but are doing it in a more environmentally-friendly way with better work conditions and in the future will be getting paid more because of the premium,” he says.

*Catalina Cock took part in INSEAD's Social Entrepreneurship programme held at the school's Europe campus in Fontainebleau at the end of 2006.*

<http://executive.education.insead.edu/social-entrepreneurship>

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