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Region**

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Keynote speech:

Global Trends and Challenges for Artisanal and Small scale Mining (ASM)

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Minister, Honored Guests, Colleagues, Ladies and Gentlemen:

In 2007 I had the honor to participate in the memorable World Bank's Communities and Small scale Mining 7th Annual CASM conference hosted here in Ulaan Baatar, Mongolia by the Government of Mongolia, Sustainable Artisanal Mining Project (SAM) and the Swiss Agency for Development and Cooperation (SDC).

It was my first experience of Mongolian's legendary hospitality. I have been back many times since and it is a great privilege to be back here once again to-day.

Back in 2007 I was then working for the UK Government's Department for International Development (DFID). I have since moved to the conservation organization WWF – an organization you will be familiar with because of the

excellent work being led by my colleagues such as Chimed-ochir Bazarsad and Batkhuyag Baldangombo. WWF has been in Mongolia for over 20 years.

Who is WWF?

WWF International was founded in 1961 and is now over 50 years old. It has a presence in over 100 countries on 5 continents - and has 6 million supporters. Since 1961 we have invested about 9-10 billion USD in over 11,000 conservation projects.

Our core business is protecting bio diversity. Biodiversity is defined as all life on earth, as well as the variety of genetic material that they contain and the diversity of ecological systems in which they occur. Biodiversity underpins the health of the planet and has a direct impact on all our lives. It is the inter-dependent web of life - Life's Support System.

But it is in trouble (and consequently – so are we!):

Bio-diversity has declined globally by 30% since 1970 and we continue to lose it at a rate never seen before in human history.

The UN estimates that the services provided by the natural world (ranging from water purification to pollination of crops, flood prevention and climate regulation) are worth between 3,000 to 5,000 billion USD per year.

A recent study suggests that the world's top 3,000 companies cause environmental damage of over 2 billion USD a year. But biodiversity management is not only an ethical issue; it also makes good business sense. The mining industry- of all scales, technology levels and capital intensity - is reliant on healthy ecosystems - eg good quality water for processing and the health of workers. The failure to effectively manage negative impacts on biodiversity poses threats and risks that can materially affect business operations.

WWF's mission is to reverse the trend in loss of biodiversity. WWF are working to help ensure that the integrity of the most outstanding natural places on Earth is conserved, contributing to a more secure and sustainable future for us all.

We do this in two ways:

- Firstly, working to reduce the negative impacts of human activity on the environment – (our ecological footprint).
- Secondly, Ensuring that the natural resources required for life are managed sustainably and equitably.

Mining is, of course, **one** of those activities whose footprint needs to be reduced. Not the only one – but one of the most significant.

But managing mineral wealth, because it is a *non-renewable* resource, has a different twist to it than other *renewable* resources – such as fisheries and forests. In the latter case the goal is to ensure the resource exists in perpetuity by taking only sustainable yields that allow the resource to replenish itself.

The mining process is fundamentally different. It is one of converting natural capital (the resource in the ground) into other forms of capital (human and man-made capital). It is a pre requisite that this process produces opportunities for sustainable development (including conservation). This represents the legitimacy for mining to have a role in sustainable development.

WWF have chosen to focus our efforts on conserving biodiversity in 35 priority places in the world from the Amazon (no stranger to artisanal gold mining) to the Pacific Coral triangle (impacted by coral/ limestone extraction for construction). These comprise large, natural landscapes that are home to irreplaceable or threatened biodiversity - Nearly all these places are impacted (one way or another) by oil, gas or mining (and associated infrastructure).

Here in Mongolia Altai Sayan is one of these focal areas and is not immune from mining pressures.

The mining of coal and alluvial gold deposits has led to:

- The deviation of rivers, loss of water flow and degradation of water quality.
- A lack of restoration and reclamation has led to top soil loss and disruption of eco-system services.

- Displacement of traditional herders off the land and conflicts with miners are intensifying.
- Increased releases of toxic chemicals in to the environment.

Trends and Pressures:

The growing demand for energy, minerals and other natural resources is putting pressure on bio-diversity and the ability of ecosystems to provide the services that meet the needs of all people – particularly the poor and vulnerable.

When most people think of mining they think in terms of large scale projects – such as Mongolia’s Oyu Tolgoi (OT) huge copper/gold project. But the drive to improve the performance and image of the mining sector is not limited to large scale mining, it is necessary at all scales from large, multi-national operations to artisanal / small scale outfits. The accumulative environmental impacts (the footprint) of ASM can in some cases match up to the biggest multi-nationals.

A recent study undertaken by the ASM-PACE project (‘Artisanal and Small scale Mining in and around Protected Areas and Critical Ecosystems’) (about which you will be hearing more tomorrow) suggested that ASM alone - now probably numbering over 20 million people worldwide - has encroached into at least 7 (natural) World Heritage Sites and at least 12 WWF Priority Landscapes.

So what are the global trends that we have witnessed (or in some cases reaffirmed) over the past 5 or 6 years since we last met in UB? And what have been some of the lessons we have learned?

1) Resources Boom Opportunities:

Although there are signs of it cooling off, we have witnessed an ‘economic super cycle’ developing over the past decade driven, in large part, by China’s (cooling but still red hot) appetite for natural resources.

2013 has started to see some prices declining, the overall trend in metals and minerals prices has reached new heights and demand is expected to continue.

This is **good news** for development of some of the world's poorest countries (yet paradoxically most wealthy in natural resource endowments) in the world.

We know from the *resource curse hypothesis that mineral endowments can sometimes be* a potential threat to developing countries – the opportunity for being top of the league in poverty reduction, MDG attainment and sustainable development exists- but too often the result is the opposite and conflict, corruption, civil strife and environmental degradation prevail.

But the resource curse is not inevitable - if the principles of good governance (including adequate attention to wise environmental management) are in place the chances of success are significantly increased.

From WWF's perspective – we will never achieve our conservation goals in situations of bad governance- so we have been working with many international initiatives to help advocate for improved governance (of all dimensions of the mining sector not just large scale mining LSM).

No one is going to deny the opportunity to countries with mineral wealth to exploit those resources. We realize that if we tried to we would soon be labeled as 'anti – development' as, in the overwhelming majority of cases, it is going to happen anyway – development imperatives dictate this. To oppose this would make organizations like WWF irrelevant.

We want to help ensure the process of mineral exploitation is undertaken in a responsible fashion and with long term sustainability in mind.

2) Resource Boom Threats

Of course, as with all **opportunities**, there are associated **threats**.

These require prudent management to ensure today's development opportunities do not become tomorrow's environmental and social problems.

Increased mining activity.

High mineral prices have encouraged more and more investments into mining of all types- either to create wealth or escape poverty.

Artisanal Mining (ASM) has seen increasing numbers. The oft quoted figures of 13 million directly dependent upon mining and another 100 million indirectly stems from ILO figures at the end of the last century!

Numbers of ASM are notoriously difficult to establish – so let's make a guesstimate that there are now over 20 million artisanal miners around the world.

This is the opposite to what we want to happen over the long term – we want people to use the opportunity that mining presents to move in to more sustainable livelihoods - not out of them.

Having said that, we need to manage the transition as it may be a very slow process –ASM, has after all been around since the dawn of civilization.

Encroachment into remote areas.

Another trend of all scales of mining has been an increase in exploration and mining activity in new areas. Some of these areas are relatively remote, pristine, and sensitive wilderness areas and home to some important (and often rare) species and critical ecosystems.

ASM (and LSM) are opening new areas up to exploitation of other resources illegally. With high prices the distance which it now becomes economic to transport materials from inland mine sites to coastal facilities for export has increased. New road and rail links cut through migration corridors and important conservation areas and open up areas for poaching and uncontrolled and illegal exploitation of other resources.

New actors in the sector.

There are also concerns that some of the LSM exploration (and procurement activities) is being undertaken by new actors who have not been exposed to the developing environmental and social performance standards that are now required.

Some of these are from the BRICS countries – others are junior operators. These actors do not have the same accountability mechanisms that a company listed in

an OECD country or with IFC funding will have - and they are also *less experienced at handling relations with neighboring communities including adjacent ASM communities* – who may have been working these resources for many decades and with whom conflicts will be inevitable.

In spite of the rise of social media- some of these actors remain outside the monitoring radar – and may be encouraging bad practices rather than encouraging good practices.

We are now moving from a decade of exploration into a decade of extraction. That is worrying because:

Many resource-endowed developing country governments lack the capacity to ensure that minerals are exploited according to appropriate environmental and social standards. They struggle to ensure this of LSM, so will definitely struggle with ASM.

Over the past 5 or 6 years we have seen the development of guiding policy frameworks but they need to be effectively implemented not just sitting on shelves - an ‘implementation deficit’ prevails in many developing countries.

Changing Expectations.

Expectations of the mining sector are changing.

I believe one of the major changes the mining sector is going through is a move beyond *responsible* mining to *sustainable* mining. This is focused on LSM but it has implications for ASM too.

Responsible Mining is managing the tangible impacts of mining on the environment and communities throughout the life cycle of a mine project. It is a relatively technical exercise – although with diverse stakeholder inputs.

Sustainable Mining requires looking at the challenges facing the mining community through a different lens - one of *development outcomes* and how mining can contribute to their achievement.

I believe that LSM can no longer dismiss ASM issues as a government concern. If the mining sector really wants to improve its image and engage in the sustainability agenda being simply *responsible* miners (doing things right and seeking to reduce their impacts ie doing no harm) is no longer adequate.

Increasingly the need is to be *sustainable* miners (doing the right things and seeking to do good).

This means working with governments as *development partners* not just mining companies extracting minerals and paying taxes and abiding by the rules, but doing more.

It also means doing everything they can to work with ASM communities to ensure they can break the vicious cycle that they are now in and create a virtuous cycle that will see them receive a fair income that can be reinvested in Safety Health and Environmental improvements and ultimately set themselves up for more sustainable livelihoods. In return for which there will be greater prospects of artisanal miners shouldering their environmental responsibilities.

What are some of the lessons we have learned (or in some cases reaffirmed) over the past 5 or 6 years?

Policy responses are changing.

The one over-whelming lesson we have learned from working on ASM is that we will never be able to close artisanal mining (ASM) down. It will move on or re-appear when regulators have gone home. Policies of ignoring, marginalising or treating ASM with hostility are doomed.

Some form of recognition or formalization holds out better prospects to be able to manage it and thereby encourage appropriate health, social and environmental standards.

When we met in UB in 2007 the prevailing view in many countries (including Mongolia) was that a desirable policy was to close ASM down and treat it as illegal. However, Mongolia is to be congratulated because in 2010 it issued a regulation to formalize small scale miners. It will be very interesting to learn during this conference how this has worked out in practice - and how it will be integrated in to the proposed new draft mineral law currently under discussion. These will be important lessons for us all attending here from other countries.

Opportunities for Formalization

If we have formalization of ASM mining areas it opens up possibilities for better planning.

Too often the prevailing situation in resource corridors driven by mining activity is one of...

- No (obvious) Vision /Goal/ Strategy.
- Ad Hoc, Spontaneous, Incremental Developments - resulting in accumulative impacts.
- Little or No Baseline Resource mapping on which to allocate appropriate land uses.
- High value Conservation/ Cultural Resources are ignored
- No Coordination between government agencies, donors, communities.
- Minimal stakeholder dialogue.
- Opportunities for synergies between users are lost.

And environment is an afterthought at best

This is a recipe for conflicts and inefficient resource use.

Spatial or land use planning will allow for the protection of some areas *in situ* in return for supporting ASM communities' development in less sensitive areas. Bringing some planning to a situation also allows for the possibility of calculating concepts such as 'no net loss' of biodiversity.

A rational and evidence based land use planning process will ensure that conservation is not be limited to the residual areas where *mining cannot take place* - but will be calculated by a thorough consideration of all the economic, social, and environmental factors. This will determine the most appropriate long term, sustainable scenarios - a process we know in the environmental profession as strategic environmental assessment (SEA) or sustainability appraisal - and one that is gaining in popularity in many developing countries.

In some cases, the ecological infrastructure/services may be so important that the wisest decisions agreed in a consultative SEA process will be no mining – large or small- in a certain area. But in other cases there is room for maneuver.

Biodiversity off-sets have emerged as a compromise where mining permission is being sought in (or close to) protected or sensitive areas. This requires the protection of an area of equivalent value to be protected for the right to mine in a certain area. At present limited to LSM activities there is scope to apply it to ASM communities as part of a management package.

The need to be *strategic*.

The sheer extent of the numbers of ASM activities makes working at a site specific fairly futile if we want to be truly influential and transformational.

Over the past few years we have seen many initiatives emerge that reaffirm that the best way to influence ASM practices is through increasing ‘due diligence’ in supply chains. This will cascade down supply chains to numerous mine sites.

The most significant initiatives (the Kimberley Process, the OECD, the Dodd Frank, the emerging EU raw materials supply chain initiatives) have focused on controlling the commodities that are coming out of conflict zones - and trying to protect the legitimate trade from illicit supplies.

However, It is a short step for us to use these initiatives to broaden considerations and move into the next stage of: (1) building capacity in appropriate environmental, social and safety standards and (2) ensuring sourcing

from responsibly managed ASM sites where diggers get a fair return for their labors.

The mining sector is extremely *diverse*.

The Mining sector is extremely diverse. It can be categorized in many different ways: according to methods of mining, capitalization, technologies used, geographical location, nature of materials mined etc

Even within the ASM sector itself the diversity is extreme. Simply in terms of motivating factors there is great diversity. Failing to appreciate this will be hazardous.

- At one end of a continuum we find the poor and vulnerable who are there because they are trying to cope or survive and escape from poverty.
- We then also find people in ASM who may be trying to find alternatives because the agricultural (or other) activities they are normally engaged in are under environmental stress or they are in seasons when it fails to bring adequate returns. Mining help sustain them.
- There are also those who are engaged in rush or bonanza mining activities as opportunists because prices make ASM a very profitable pursuit -seeking quick fortunes.
- This leads to the final group who have criminal intent and even possible links to international terrorism. The proceeds of their labors help perpetuate conflicts, civil wars and rape and pillage in certain parts of the world. The diggers themselves may be trapped indentured or slave labour.

Clearly we need a different tactic for working with each of these types of ASM. We have to look at each situation on its merits and decide: Is it a question of policing or development?

The lesson form this is that there are no one size fits all solutions in ASM – and certainly no silver bullets.

Conclusion.

Let me close by highlighting a few ground rules that those of us working on ASM issues around the world have learned that we need to adhere to:

- We must always be seen to be responding to a *demand*- not least from the ASM communities themselves. We cannot go in and work on ASM issues uninvited. This may involve some (subtle) advocacy to make people aware of their own needs - but if our efforts are going to produce results we must respond to a need.
- In a related way – we must always *align behind the priorities of the host country/ regions governments*. Without this our efforts will never be sustained once we move on to other areas.
- We need to have a clear idea of what *outcomes* we are trying to achieve- a ‘theory of change’ to use the current jargon. Producing reports are too often self-serving – but in the overall scheme of things make little difference to anyone except ourselves.
- We need to work in *harmony* with like-minded people.

On this point I can end on some good news.

About three years ago, CASM ceased to exist as the international knowledge sharing network on ASM matters.

ASM work has certainly continued in the World Bank and other organizations .

- ASM has been recognized as an important issue in influential guiding policy frame works (such as the Africa Mining Vision 2050 and the Inter-governmental Forum on Mining, Minerals, Metals and Sustainable Development’s Policy Framework submitted to the UN Rio plus 20 Conference in 2012)
- The UN has finally agreed to a phase out of mercury through the Minimata Accord.

And

- Last week at the Global Conference on the Extractives Industries Transparency Initiative (EITI) 2013 in Sydney, Australia a new

Global Standard was adopted that extended the work on transparency in revenues to transparency in licensing – which opens the door for EITI to ASM issues because EITI implementing countries will need to keep a publicly available register or cadaster system on all licenses issued to companies or individuals that give them the right to explore or exploit mineral wealth.

But the platform, that was CASM, no longer existed to bring people together to share their experiences and lessons learned.

Earlier this year in Cape Town we held a meeting hosted by the Canadian International Development Agency (CIDA). An ASM Knowledge Programme and Network has been established, hosted by the International Institute for Environment and Development (IIED) in London and supported by Canada.

This will build on the work of CASM and continue to coordinate and formalize the knowledge from a range of stakeholders working in the ASM sector- not least of which the ASM communities themselves. It will improve accessibility to and visibility of information and its impacts and pull in practical knowledge on what has worked and what has not.

One of the first actions for this new platform could be communicating the conclusions and recommendations that we come out with at this conference in Ulaan Baatar today.

Thanks for your attention./ Anhaarala tavisand bayarlala.

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