An Examination of Ethical Mineral Trading Initiatives:

The role of knowledge partnerships for learning and innovation

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when you decide, it is done. the rest is just administration
MURAS

ABSTRACT

Ethical trade has emerged in an effort to re-embed markets in-line with social, cultural and economic values. Particularly, it tries to trace ethical values throughout processes of globalized production in order for producers and consumers to be empowered through their participation in international trade. This study examines how the Alliance for Responsible Mining's (ARM) fair trade gold initiative and the Kimberley Process Certifications Scheme's (KPCS) effort to eliminate conflict diamonds are integrating ethics into their production-supply chains. This investigation aims to understand how knowledge management supports innovations within this sector. Data was collected from global as well as local stakeholders, with field visits to Peru and Colombia in support of the research on ARM, and through a national case study of the KPCS in Sierra Leone. The study finds that it is very challenging for a single initiative to enable meaningful participation of both local communities and international policymakers. However, it also revealed that the coordination of knowledge from these stakeholders is essential for reaching ethical objectives, and, in order to 'scale-up' or 'scale-down' initiatives. To reach its potential, ethical trade requires buy-in from producers, trading intermediaries, consumers and policy-makers alike. The study therefore advocates for strategic learning within and between initiatives to increase opportunities for actors working towards more sustainable international trade.

CONTENTS

Contents

FIGURES AND BOXES

ACRONYMS

AMASUC	Regional Association of Artisanal Miners Latin America
AJME	Association of Journalists on Mining and Extractives
AMICHOCO	Amigos del Chocó
ASM	Artisanal and Small-scale Mining
ARM	Alliance for Responsible Mining
CASM	Communities and Small Scale Mining Secretariat
CIDA	Canadian International Development Agency
CJM	Campaign for Just Mining
COV	Corporación Oro Verde
CRDI	Le Centre de recherches pour le développement international
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CYTED	Iberoamerican Programme for Science and Technology
DACDF	Diamond Area Community Development Fund
DFID	UK Department for International Development
DIPAM	Diamond Policy and Management Project
DRC	Democratic Republic of Congo
EBC	Ethical Bullion Company
EGMONT	Royal Institute for International Relations, Belgium
EITI	Extractive Industry Transparency Initiative
ESPOL	Superior Politecnica del Litoral, Ecuador
EU	European Union
FLO	Fair Trade Labelling Organisation
FTF	Fair Trade Foundation
GAMA	Gestión Ambiental en la Minería Artesanal
GDO	Gold and Diamond Office, Sierra Leone
GMI	Global Mining Initiative
GW	Global Witness
ICT	Information, Communication and Technology
IDRC	International Development Research Centre
IISD	International Institute for Sustainable Development
ILO	International Labour Organisation
ILO-IPEC	International Programme on the Elimination of Child Labour
IRMA	Initiative for Responsible Mining Assurance
ISEAL	International Social and Environmental Accreditation and Labelling Alliance
LACRO	Latin American and Caribbean Regional Office (IDRC)
LRC	Law Reform Commission (Sierra Leone)
KP	Kimberley Process
KPCS	Kimberley Process Certification Scheme
MMO	Mines Monitoring Officers
MMSD	Mining, Minerals and Sustainable Development Project

MMR	Ministry of Mineral Resources, Sierra Leone
NACE	National Advocacy Coalition on the Extractives
NGO	Non-Governmental Organisation
NRA	National Revenue Authority
NMJD	Network Movement for Justice and Development
PAC	Partnership Africa Canada
PDA	Peace Diamond Alliance
RESPOMIN	The Network for Responsible Mining (Latin America)
UMU	United Mine Workers Union, Sierra Leone
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNSC	United Nations Security Council
USAID	United States Agency for International Development
WDC	World Diamond Council
WGAAP	Working Group on Alluvial and Artisanal Production
WTO	World Trade Organisation

Chapter 1

Introduction

Today as more than half a century ago, the global economy appears to be reaching an impasse, as laissez-faire economic policies are being challenged by a global movement to re-embed markets in line with the social, cultural and economic values of the day (Polanyi, 1944). This movement stems from a growing criticism of the liberalization and deregulation policies of the last half century for not sufficiently addressing environmental, labour and human rights issues. It has mobilized actors around the world to develop structures and processes that facilitate more equitable international trade. In fact, neo-liberal globalisation has become its own antithesis by providing the conditions necessary for its reform. It is doing so by facilitating the movement of goods, technology, peoples and most importantly ideas – all the things necessary to create a dynamic economic system that reflects societal values.

This study looks at two examples of how production is being embedded in ethical principles in the artisanal and small-scale mining sector. It examines the Alliance for Responsible Mining's (ARM) venture to certify gold fair trade and the Kimberley Process Certification Schemes (KPCS) effort to stop the trade in conflict diamonds. The research will focus on how decisions are made, implemented and validated within these production-supply chains. Particularly, it tries to trace how these initiatives are drawing upon various types of knowledge in order to reach their organisational objectives. The study uses a lens of knowledge management to guide its analysis and reveal how processes of learning support innovations in international trade.

1.1 Research Objectives

The following research objectives have been identified for this study:

- Identify the policy and governance framework of two ethical trading initiatives in the Artisanal and Small-scale Mining (ASM) sector.

- Investigate the institutions established to facilitate viable ethical trading initiatives

- Critically examine how knowledge is translated into innovations within these initiatives

The next section reviews the literature surrounding ethical trade, supply-chain governance, and knowledge management in order to establish a conceptual framework for the two case studies.

1.2 Ethical Trade

Ethical trade is part of a diverse transnational movement that seeks to re-embed, or re-regulate globalised markets in line with social, environmental, and cultural values (Kiely, 2002; Nash, 2001). Goals that have been articulated through this movement include labour and environmental standards, conflict prevention, and anti-corruption measures[1]. Broadly defined, ethical trade seeks "to incorporate social and environmental goals alongside commercial ones" (Burns and Blowfield, 1999: 4). Corporate social responsibility (CSR), social enterprises, fair trade and other niche ethical branding are all a part of this description. A second and narrower definition of ethical trade that will be used for this study is: *any trade that incorporates ethical considerations into its supply chain governance* (Heeks and Duncombe, 2004: 202). This definition will be used because it allows the study to focus upon the transactions that govern relationships within the production-supply as it travels within globalised markets.

The ethical trade movement is one outlet of a growing global movement of activism that seeks to address inequalities between producer and consumer countries in a globalized economy[2]. As information about the unequal distribution of wealth in global production systems becomes more prevalent, there has been a corresponding growth in ethical consumers "who are integrating social and environmental concerns into their purchasing power" (Strong, 1996). This trend of consumer activism is expected to continue to grow (Environics, 2001), with some sectors growing at approximately 15% per annum, and expectations that it will soon surpass growth in many traditional sectors (Doanne, 2001: 11).

> **Box 1.1 Ethical Consumer Drivers**
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> Consumer activism has been driven by a number of important factors including:
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> - increased information (through globalised telecommunications) about the unequal terms of trade;
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> - NGO activism and campaigning;
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> - the development of niche markets and alternative trade organisations;
>
> - the increasing number of capable Southern networks producing ethical goods; and
>
> - adoption of Corporate Social Responsibility (CSR) reporting and verifications strategies.

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[1] One example of a comprehensive set of ethical guidelines for responsible business has been developed by the Ethical Consumer Research Association, and is reported on in their publication "Ethical Consumer," where companies are comprehensively graded, based on five criteria of social and environmental performance (www.ethicalconsumer.org).

[2] Globalisation has drastically transformed production systems through technological improvements in transportation, telecommunication, and financial systems. Unfortunately, significant negative side-effects have emerged as developing countries try to make themselves more attractive for foreign investment. This has included a 'race to the bottom' in terms of wages, social, environmental standards and corporate taxes (Spar and Yoffie, 2000: 31).

Corporate Social Responsibility (CSR) has developed in tandem with ethical trade. CSR is a movement towards corporate citizenship rather than corporations operating solely within a profit-maximizing ideology. Although the motivation for CSR is beyond the scope of this paper, it has been argued that the adoption CSR is not due solely to altruism but rather it is an emerging part of corporations' sustainability strategy. A positive aspect of CSR codes is the dialogue about, and mainstreaming of, best-practices within sectors. However, the capability of such codes to work as tools for international development has yet to be established (Blowfield, 2005, Barrientos, 2000).

Another emerging sector within the spectrum of ethical trade is the market for niche ethical goods, conceptualized initially by alternative trading movements. Fair trade is one of the most compelling and organized examples of a commercial trading network that has developmental objectives. Fair trade generally works with small-scale producers to implement social, economic, environmental and other production standards. By charging a social premium, Fair Trade certified producers are able to receive a guaranteed minimum price for their goods as well as access to credit (FLO, 2008: online). The Fair Trade movement has transformative goals to develop "trading structures and practices in favour of the poor and disadvantaged" (FTF, 2008: online).

The FairTrade Labelling Organisation (FLO) is the international standards and certification body for the movement. FLO is a non-profit multi-stakeholder umbrella association composed of over 20 national labelling initiatives. Initially FLO only certified agriculture; however, it is considering extending certification to other products such as minerals and manufactured goods. As of 2006, 1.4 million workers in 57 countries throughout Africa, Asia and Latin America were involved in FLO certification (FLO, 2008: online). Moreover, sales of FLO certified products are growing at rates of about 30% per year[3]. FLO represents an important example of how alternative trading movements are becoming drivers to change market and consumer expectations of acceptable procurement and production practices.

1.3 Ethical Trade in Artisanal and Small-scale Mining

This study will look at how ethical trade is unfolding in the extractive industries, particularly in precious minerals and gems mined under artisanal and small-scale (ASM) conditions. The primary reason for focusing on ASM is that there are existing, and fairly comprehensive, ethical trading initiatives within this sector. This is not so for larger scale mechanized mining, which is operating under voluntary CSR codes.

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[3] Percentage growth in sales of selected FLO certified products between 2004 and 2005 : tea (33%), coffee (40%), bananas (29%), fresh fruit (61%), sugar (85%), honey (7%), juices (30%), rice (23%), cocoa (35%), flowers (12%), wine (83%), dried fruit (29%), sport balls (16%) (FLO, 2008:online)
[Accessed from: http://www.fairtrade.net/latest_figures.html]

Currently, the Extractive Industry Transparency Initiative (EITI) is the only sector-wide initiative to regulate large-scale mining. It seeks to support accountability and transparency in resource-rich countries "through the verification and full publication of company payments and government revenues from oil, gas and mining" (EITI, 2008: online). Thus far, the EITI is being implemented by 25 countries. Azerbaijan is the only compliant country while all others remain candidates of the process. Norway is the only developed country to participate in this global process (EITI, 2009: online).

The Initiative for Responsible Mining Assurance (IRMA) is another multi-sector effort to develop standards and assure mine site compliance with environmental, social and human rights issues. When the standards are completed, and IRMA becomes operational, this will be an important step forward for large-scale mining because the sector will use independent third party verification to monitor compliance with standards.

> **Box 1.2 Voluntary Codes of Conduct**
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> One key critique of the EITI and other codes of conduct has been their voluntary and non-binding nature, which brings into question the accountability of their accreditation.
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> Yet, it has been noted that private governance regimes *have* been creating global governance, even in the absence of any formalized regulating institution. This is because multi-stakeholder dialogues are fast becoming a standard against which companies are being judged in the global economy; thus the "new face of regulation" (Williams, 2004: 464).
>
> This debate will not be settled until a comprehensive evaluation of CSR codes of conduct is done, and mechanisms are developed to standardize the codes with some sort of third party validation of compliance.

In artisanal and small scale mining (ASM), there are several initiatives that currently seek to regulate and monitor the production-supply chain for precious minerals. The two initiatives that will be studied here are: 1) the Alliance for Responsible Mining (ARM) to certify gold fair trade, and 2) the Kimberley Process Certification Scheme (KPCS) to certify diamonds as conflict free. A major reason for choosing the above mentioned, is that they both have been launched on behalf of the development of artisanal and small-scale miners of precious minerals.

According to latest International Labour Organisation (ILO) estimates, artisanal and small scale mining (ASM) , a decade ago, was employing between 11 to 13 million people in over 30 countries; between 80 and 100 million people were depending on it, as part of their livelihood strategies (ILO, 1999). Estimates of ASM's contribution to global markets then suggested that between 20-25% of all non-fuel minerals were being produced by small scale miners (Echavarria citing Jennings, 2004) and generated close to 2 billion dollars worth of gold, gems and other precious metals (ILO, 1999). These statistics indicate the significance of ASM in the global economy, as well as the number of people who participate and rely on ASM as a primary livelihood strategy.

Artisanal and small-scale miners typically work in harsh physical and ecological conditions, with a limited ability to claim their rights (Barreto, 2003). Oftentimes ASM communities are located in very remote locations that do not have access social services, such as schools and hospitals or basic infrastructure including electricity and access to potable water. Increasingly, there is recognition that ASM needs to become a formalized and legalized economic activity so that it can be adequately regulated and perceived as a viable livelihood option (Barreto, 2003). There are several international initiatives to address social and environmental concerns associated with ASM. ARM and the KPCS represent two such initiatives.

In fact, ARM and KPCS are being examined together here for several reasons. The first is that diamonds and gold are associated and/or complementary commodities. In addition, work has been done to look at the broader context of ethical jewellery — for instance, the 2007 Ethical Jewellery Summit organized under the auspices of the Madison Dialogues. Finally, valuable insights can be gained from examining the trajectories of how these initiatives are governed. ARM and its guiding set of principles, Standard Zero, have used community mobilization and activism in the South as well as a fair trade[4] developmental model that focuses on private certification and consumer awareness. On the other hand, the KPCS is being implemented in an inter-governmental arena with national governments, industry, international civil society, as well as the support of the United Nations Security Council (UNSC) and the World Trade Organisation (WTO).

1.4 Governance of Ethical Production-Supply Chains

Governance is the second broad theme that will be addressed in order to construct the theoretical and analytical tools necessary for this study. Broadly, governance refers to the values, rules, institutions, and processes through which people and organizations attempt to work towards common objectives, make decisions, generate authority and legitimacy, and exercise power (CIDA, 2008: online). Governance happens in both public and private domains. This study is primarily interested in the governance of multi-stakeholder ethical trading initiatives.

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[4] "Fair Trade is a trading partnership, based on dialogue, transparency and respect, and seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, disadvantaged producers and workers – especially in the South. Fair Trade organizations (backed by consumers) are actively engaged in supporting producers in awareness raising and in campaigning for changes in the rules and practices of conventional international trade." (FLO, 2008) Available at: http://www.fairtrade.net/about_fairtrade.html

According to Vallejo and Hauselman (2004) multi-stakeholder governance has "gained recognition as valid mechanisms to develop and implement social and environmental responsible management practices towards sustainable development" (Ibid:1). They design a framework where the viability of multi-stakeholder governance depends on its ability to achieve an optimal balance between legitimacy and effectiveness. In their analysis, initiatives gain legitimacy through their "representation, inclusiveness and transparency" as well as the "ability of the process to engage stakeholders in a meaningful dialogue in which they feel ownership and the possibility to derive benefits" (Ibid:.4). These perceived benefits to participation are the primary reasons for stakeholder engagement, and refer to the effectiveness of multi-stakeholder initiatives to also "deliver their objectives well and fast" (Ibid: 5).

A further subset of the literature on governance of multi-stakeholder initiatives speaks to the importance of institutional capacity to implement, verify and adapt to new information or circumstances. For instance, Bitran et al (2006) elaborates on the subject of institutional capacity by suggesting that a formalized co-ordinating body is needed to communicate between multiple heterogeneous partners. This study focuses upon trends of collaboration within supply chains, and provides a compelling argument for how a co-ordinating body is a necessary enabler for institutional growth and adaptation, as well as to sustain these collaboratively governed initiatives (Ibid: 9).

Recognizing the synergies between the Birtran et al (2006) analysis and this study, the concept of chain governance will also be integrated here. The Gereffi et al (1994) framework for global commodity chain governance[5] and value chain governance[6] (Porter, 1985; Hayter, 2004; Gereffi et al, 2005) will be used as strategic tools to assess the viability (legitimacy and effectiveness) of the ARM and KPCS multi-stakeholder initiatives under investigation.

Utilising the structure of the production-supply chain will enable this study to unearth patterns of authority and influence, power relations and the rules of engagement that occur in and between upstream and downstream stakeholders, as the commodity travels through each value adding stage from extraction to retail (Gereffi et al, 2005). As these chains are pre-existing and tangible structures, they can be theoretically adapted to capture relevant information at multiple points of the production-supply chain.

Potentially, this may include the processes surrounding commodity extraction, processing, manufacturing, branding, marketing and other steps on the way to the consumer. At each of these stages, actors must negotiate procedures,

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[5] Global Commodity Chains "refers to the whole range of activities involved in the design, production and maketing of a product" (Gereffi et al, 2005)

[6] Global Value Chains "describe a set of discrete value-adding stages performed by the firm during a product's journey from conception, assembly and packaging to advertising and sale" (Hayter, 2004: 9)

operations, distributions of gains, and other aspects of organisational culture that add to their information, knowledge and decision-making base. The study also postulates that information can enter the production-supply chain from more global discourses. The ethical consumer and CSR movements represent information systems that interact and can influence ethical supply chains. Other research on sustainable mining and international development issues are also sources of knowledge. Thus, this study will examine how information that enters into ethical production-supply chains supports learning and fosters innovations within those chains.

1.5 Knowledge Management and Organisational Learning

Now that the relevant literature on ethical trade and governance has been introduced and contextualized within the two cases, the next necessary building block for our study will look at how and where knowledge is generated and managed in these initiatives.

Knowledge management can be thought of as the creation, legitimization and sharing of knowledge (Ferran-Urdaneta, 1999), while organisational learning refers to how the knowledge is used and integrated to reach overall objectives (Kidd et al, 2003). A substantial amount of research has been done on knowledge management as it relates to supply chain effectiveness; it has found that there is a clear need for, and observable benefits from, effectively managing upstream and downstream knowledge (Kidd et al, 2003; Chaston et al, 1999; Phan and Perdis, 2000). While many have looked at knowledge management in terms of improving productive capacity within supply chains, this rationale is also applicable to evolving interpretations of productivity such as the triple bottom-line of accountability (financial, social and environmental).

Likewise, Johnson and Lundvall's (2000) analysis of the learning economy suggests that systems of learning and innovation are rapidly changing via processes of globalization and that "interconnections between geographically different parts of the world have considerably increased and this has multiplied the learning opportunities" (Ibid.: 4). Nevertheless, they note that, like other aspects of globalisation, the advantages of globalised learning systems are not equally accessible to all social groups or regions (Ibid.:4). Thus, the transmission of knowledge is a negotiated process that is subject to power relations — for instance, financial resources to participate and set the agenda, access to information, or gender dimensions.

In order to address these inequalities, Duncombe and Heeks (2002) emphasise the potential of information and communication technologies (ICTs) to facilitate access to information by different actors within ethical trading initiatives. Through a review of several ethical trading cases, they highlight how ethical trade emerged within a context of learning and innovation and illustrate how strong information systems can support the achievement of ethical objectives.

This research recognises that multiple sets of information and knowledge exist along the points of the production-supply chain, and these reflect stakeholder, regional and/or human experiences and needs. For this information to be translated into useful knowledge that benefits the entire chain, the necessary channels must be established for it to be integrated into learning and innovation processes. This argument corroborates with Johnson and Lundvall (2000) 's conclusions that an integrated technical, organisational and institutional learning strategy is necessary to merge the economic, social and ecological aspects necessary for sustainable development (Ibid.:7)

Thus, if sufficient systems are in place, knowledge can permeate into ethical trading initiatives in several ways to facilitate organisational learning for improved governance. This study differentiates between three methods by which data are captured, interpreted, and disseminated in these initiatives. The first is 'instrumental' information which is particular to a specific initiative and provides qualitative and quantitative data to inform that process. For instance, this may include production and market share statistics, or wellness and security indicators for labourers, miners, and their beneficiaries. The second and related type of information is 'evaluative' knowledge, drawn from a particular initiative that retroactively assesses its processes and outcomes to gauge its own progress or performance and generates information to support improvements in its practices. Thirdly, 'referential' knowledge is defined as any type of information that is outside the specific initiative, but adds to its knowledge bank and capacity to reach its objectives.

Referential knowledge is distinctive because it reflects a wide range of information that can be gathered by upstream, downstream or collaborative knowledge platforms. Accordingly, downstream research may focus upon issues related to consumer behaviour and verification strategies for ethical claims. Upstream research, on the other hand, may focus upon issues such as how public policies aligned with ethical initiatives in countries of operation increase the latter's impact and replicability. Collaborative research is being used more and more as a tool to share information between upstream and downstream researchers and networks, coordinate research methods and priorities, and facilitate policy consultation and advocacy on an international scale (Engelhard and Box, 1999).

1.6 Collaborative Research for Interdisciplinary Learning

Collaborative research aims to effectively coordinate interdisciplinary research priorities, agendas, and methods amongst multiple partners, so as to derive results that can be translated into usable policies. It is increasingly being seen as an effective mechanism for building the capacity of Southern researchers and institutions (Etherington, 2006; Bradley, 2007). Additionally, collaborative research is also an effective strategy to build trust and enable mutual learning

amongst partners. This is because it increases the opportunities for spatially separated researchers to work together. In this way it builds the capability of Southern and Northern institutions and individuals to engage in future collaborative initiatives (Bradley, 2007: 30).

Oftentimes, these research networks operate with varying degrees of formalisation and decentralisation. They are usually spearheaded by core leaders who are central to facilitating the process and act as the "sparkplug" (Engelhard and Box, 1999: 8) for building membership to the network and co-ordinating the research agenda. If networks are interpreted as useful by members, they can evolve and develop into a formal structure with a permanent coordinating secretariat (Ibid.: 6).

It has been noted that development research which is demand-led and generated by, or in collaboration with, Southern partners is more likely to have actionable and applied outcomes (Nair and Menon, 2002; Danielson and Digby, 2006). In response to these and other findings, there has been a greater incentive for, and movement towards, channelling research funds through collaborative initiatives. The aim is for collaborative research to have the triple function of strengthening research capacity, generating more robust data, and increasing the likelihood of being implemented.

In artisanal mining, there are several multi-stakeholder research initiatives that have provided referential knowledge about the sector. One example is the Mining Minerals and Sustainable Development Project (MMSD)[7], an independent two year process of consultation and research in 2000 – 2002, with the objective "of understanding how to maximise the contribution of the mining and minerals sector to sustainable development at the global, national, regional and local levels" (MMSD, 2008:online).

The MMSD used a collaborative, yet decentralized process to carry out the objectives of the project. It "tried to operate on the basis of the principle of subsidiarity: that decisions should be taken at the lowest level at which the interested parties can be brought together to participate in the decision" (Danielson and Digby, 2006:10). The MMSD established regional partners in North America, South America[8], Southern Africa and Australia, with a lesser degree of research in Eastern Europe, Asia, and West Africa. The reasons for this decentralized approach included encouraging meaningful participation, alliances building, and capturing regional differences while also facilitating global learning (MMSD, 2000:7).

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[7] The MMSD was co-ordinated by the International Institute for Environment and Development (IIED) in the UK, with support from the World Business Council for Sustainable Development (WBCSD) and the Global Mining Initiative (GMI).

[8] The IDRC's Mining Policy Research Initiative (MPRI), then based in its Latin America and Caribbean Regional Office (LACRO) in Uruguay, was the regional co-ordinating institution for MMSD in South America.

Another, more permanent structure is the Communities and Small Scale Mining Secretariat (CASM), housed at the World Bank. CASM is a multi-stakeholder networking and co-ordination facility, launched in 2001 to improve coordination between funding and executing agencies on issues of ASM (CASM(a), 2008: online). A further CASM objective is to support knowledge transfer and innovation within its granting portfolio.

For example, CASM has several grants to support research and publications and financial resources available for 'learning events,' that bring stakeholders together (CASM (a) 2008: online). Another resource that CASM facilitates via its website is the 'Knowledge Centre,' which contains databases of documents, projects, and contacts to support access to information surrounding this sector. Since 2003, CASM has been involved in arranging approximately 28 events throughout Africa, Asia, South America, North America, Europe and Australasia. Through its global scope, it has become a significant co-ordinating institution within the ASM sector for networking stakeholders, supporting the transfer of knowledge, and developing integrated approaches to formalise small-scale mining, so that ASM may become a mechanism for economic prosperity and development.

There are other collaborative research initiatives that are adding to the knowledge of ethical production-supply chains. Some of these networks have been created in tandem with the ethical trading initiatives to fulfill a knowledge deficit, and others are parallel initiatives where knowledge is able to undergo cross-fertilisation. Later in this paper, a host of collaborative research initiatives will be discussed as they relate to achievements of ethical trade, production-supply chain governance, or sustainable ASM mining.

Through this introduction of various subjects such as ethical trade, artisanal and small scale mining, multi-stakeholder governance, knowledge management and collaborative research, the literature review has outlined the scope of this research. After a brief discussion of the data collection methods, in-depth case studies will be presented for the Alliance for Responsible Mining (ARM) and the Kimberley Process Certification Scheme (KPCS). Finally, a concluding section will discuss the role that knowledge management has had towards the achievements of these initiatives, areas for future learning, and the potential role for capacity building organisations to support ethical trade's developmental objectives.

Chapter 2

Methodology

There is growing awareness that effective "natural resource management requires close collaboration between research disciplines, policy-makers and stakeholders at all levels to strike a balance between different (potentially conflicting) perspectives and objectives"
(Hubacek et al, 2006: 1).

As previously outlined, this study will look at two ethical trading initiatives for artisanal and small scale mining (ASM) through a lens of knowledge management. After a review of the relevant fields of literature, this study premises that channels must be established for information to be transmitted through the production-supply chain to foster learning and innovations. Through qualitative research of the ARM and KPCS initiatives, the study aims to identify the institutionalized processes of learning that have been developed for these initiatives to reach their organisational objectives.

This research does not aim to be exhaustive and will build upon the work of previous studies. It refers to public and internal documents about these initiatives as part of a discourse analysis to compile and cross reference data. Semi-structured interviews with key stakeholders working within these initiatives were undertaken to learn about the governance and learning processes within these networks. The process of interviewing was reinforced by a further analysis of documentation gathered through this data collection process.

Open ended, semi-structured interviews were done from Ottawa and at the field sites. This included email and telephone discussions and physical meetings with respondents from Canada, USA, India and the EU. Interviews were also conducted at the field sites in Peru, Colombia and Sierra Leone. Peru was chosen because the research coincided with a regional meeting of ARM stakeholders. Subsequently, research was also conducted in Colombia where the ARM secretariat is based. Sierra Leone was selected to be the national case of the KPCS because it is a target country of the process that has experienced significant progress towards their national implementation. Moreover, Sierra Leone is an English speaking country and a host organisation was identified to support this research.

In total, 38 interviews were conducted with stakeholders of the Alliance for Responsible Mining and 66 interviews were conducted with global and national stakeholders within the KPCS. Semi-structured interviews were chosen because of the multi-faceted actors who are involved in the upstream and downstream ethical supply chains. For instance, labour and community associations in the sites of extraction will have different experiences, knowledge and needs than refiners and jewellers that work in downstream branding, marketing and retailing. Thus, standardized questions were not used because the research sought to

reveal in-depth and context specific information. (Please see the attached questionnaires appended to this document)

In order to identify adherents, the researcher worked with host organisations at each research site. This included the Secretariat of the Alliance for Responsible Mining in Peru and Colombia, and the NGO Network Movement for Justice and Development in Freetown, Sierra Leone. Host organisations were instrumental in identifying and introducing the researcher to respondents. After initial introductions snowball sampling was also used.

The research in Latin America included attending four days of meetings in Lima and a learning tour to the Sur Medio Region of Peru. Participation is this event enabled broad access to ARM's stakeholders such as representatives from the Board of Directors, pilot projects, support organisations and other key actors. Several weeks were also spent in Colombia, working out of the ARM Secretariat's headquarters and collecting more information on the organisation's governance and implementation strategies.

For the KPCS, substantial research, was done with global respondents including the representatives from the Indian Government who chaired the process in 2008, the chairs of the Working Group on Monitoring and Statistics, and with observers from industry and civil society organisations (CSOs). For the national case study in Sierra Leone, interviews were carried out with government representatives, local and international CSOs, donors, and traders in Freetown. With the help of a research assistant, perspectives were also gathered from producers, license holders, dealers, regulators, CSOs, donors based in the Kono mining district.

The intent of this research is to provide an overview of governance and organisational learning strategies of ARM and the KPCS. It also aims to look at the sector as a whole, and what types of opportunities there are to scale-up these individual initiatives to support the sustainable mining and ethical jewellery sectors. Thus, peripheral actors such as government representatives, advocacy organisations, and members from social networks, were also enlisted to take part in this study.

The researcher also engaged with knowledge communities which are being mobilized to generate and share information, and/or advocate and build support within this sector. This included the Madison Dialogues, a virtual forum that has been established to support the development of ethical trading in metals and jewellery. Through this type of participation, the study will try to postulate what types of future investments could support greater innovation within this sector.

Due to the breadth of this study – two initiatives and two continents, this study cannot claim to be able to capture all types of information and learning flows that exist. However, it does try to highlight patterns of successes and challenges by

examining organisational structures to see if they are conducive to knowledge management. Moreover, through the semi-structured interview process the study seeks to vocalize the perceptions of actors working within these initiatives through their personal accounts of interacting within the production-supply chain of these initiatives.

Chapter 3

The Alliance for Responsible Mining

The Alliance for Responsible Mining (ARM) (www.communitymining.org) is a Colombia based organisation with global aspirations to certify gold fair trade. It aims at making artisanal and small scale mining (ASM) a 'formalized, organized and profitable activity' (ARM a, 2008:online). ARM seeks to fulfill its mandate by creating an integrated and traceable global production supply chain to benefit small-scale miners, and by building on growing consumer consciousness about the ethics of trade. ARM currently uses an ongoing multi-stakeholder process for adapting fair trade principles and standards that meet the needs of ASM.

ARM was born out of the Oro Verde or Green Gold (www.greengold-oroverde.org) corporation which has been producing and trading gold since 2004, through a responsible and traceable supply chain.

In 2007, Corporación Oro Verde (COV) produced approximately 6.5. kg of certified green gold and associated platinum from the 194 Afro-Colombian families from the Chocó region of Colombia who collectively own COV in partnership with two NGO´s, Amichoco and Fundamojarras. Oro Verde has successfully demonstrated that there is a vibrant niche market of consumers who are demanding that jewels they adorn are produced in a sustainable manner.

As a response to this, the leadership of Oro Verde[9] decided to 'scale-up' their model by incubating

> **Box 3.1 The Evolution of Certified Gold**
>
> ARM seeks to develop a standard of responsible ASM that is applicable to various types of mining.
>
> While the gold produced in Chocó is alluvial gold, it does not require extensive processing to separate the gold from other minerals. Many other terrains do require substantial processes such as mercury amalgamation or cyanide agitation tanks to separate the gold from other mineral deposits.
>
> While mercury and cyanide can be used to separate gold from other minerals, Standard Zero requires that the use of these substances be adequately managed to reduce environmental and health impacts. Furthermore, there is also a process of phasing them out at certified operations.
>
> In the case of Corporación Oro Verde, there is an environmental premium paid to the Chocó miners which is over and above the fair trade premium because their gold is mercury and cyanide free (ARM a, 2007: 23).

ARM. This decision was made because Oro Verde realized that, for ethical jewellery to become a substantial niche market, greater volumes of gold would be required than could be produced solely at the Oro Verde operations (Interview with Catalina Cock-Duque, May 9 2008). Which implied reaching out to many

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[9] Oro Verde is owned and operated by the Community Councils of Condoto and Tado, and two Colombian based NGOs, Mojarras Foundation, and Fundacion Amigos del Choco Colombia (AMICHOCO).

more gold-mining sites outside Oro Verde's territory. Thus, ARM was created as a global initiative to develop a universal set of standards applicable to various methods of extraction and regional geographies, such as alluvial or hard-rock mining. It seeks "to develop a comprehensive international system for ASM that includes standard setting, independent certification, producer support and market facilitation" (Cock-Duque, 2007:12).

Presently, ARM is testing Standard Zero at nine pilot sites in Latin America. This phase involves exploring how the standards are implemented on the ground and the manner in which gold can be traced from mine to showroom. ARM is also working to develop the downstream supply chain processes for exporting, refining, distributing and branding the gold. This concurrent process is necessary because pilots need to have a distribution channel once they fulfill the fair trade criteria so that they can accrue benefits from this model.

The following sections will examine how ARM is implementing these objectives. Initially, ARM's governance structure will be reviewed; this defines the roles and responsibilities of each chamber or instance. The section will discuss the viability of this governance structure to reaching the organisation's stated objectives. The second section will elaborate on ARM's strategic objectives and will highlight examples of their progress to date. The next section will examine ARM's philosophy of knowledge, with special attention to knowledge generation. This includes looking at the types of knowledge and methods by which these are shared within the network, as well as how parallel networks have also supported ARM's institutional development.

3.1 ARM's Governance

ARM is currently developing its governance structure to suit its mission and organisational needs. During 2004-2008 the Alliance went through an incubation stage, marked by a formalising and piloting period. Through this process it moved from being an association of members to becoming an alliance of multi-stakeholders.

ARM has been incubated by COV, with the intention of becoming a global organisation to co-ordinate the growth of responsible artisanal mining (ARM website). ARM was initially visualized to become a third party certifier of the green gold produced by Chocó miners. However, it was subsequently identified that the most pressing issue was the number of mines producing responsible gold. It was recognized that for COV to grow, the market for responsible jewellery would also have to grow, and the Chocó operations did not have the production capability to significantly impact consumer tastes (Interview with Catalina Cock Duque, May 9 2008). Furthermore, there was a genuine desire to work towards creating sustainable livelihoods for small-scale miners. Thus, ARM was created to be a co-ordinating and standards setting NGO that develops a fair trade system for responsibly produced gold and associated metals.

The Alliance was formally registered in June 2008 in Colombia, although it began working in 2004. During that period ARM worked under the umbrella of the COV's legal status, though maintaining its own decision making arrangements while preparing to become an autonomous organisation[10]. Now COV belongs to and participates in the Alliance, while continuing to market and distribute Oro Verde branded gold to international customers. Oro Verde will benefit from its investment in ARM through establishing a third party verifier for ASM, as well as expanding its movement to create further consumer awareness (Interview with Lina Villa May 16 2008).

A substantial amount of work was needed to define the most conducive structure for ARM's objectives. For instance, ARM decided to use a fair trade system over an alternative certification system, partly in light of impressive benefits already accrued to agriculturalists through fair trade[11]. Other strengths of the fair trade system include a long term alliance between producers, traders and consumers as well as access to pre-financing and credit. ARM reached these decisions in part as a result of an internal study which it undertook, entitled "Towards A Global Certification Scheme for Responsible Artisanal and Small-Scale Mining" (Cock-Duque, 2007). This piece reviewed a majority of the core social entrepreneurial and standard setting and assurance organisations[12].

Another key decision that was made out of this review process was that ARM would not be a membership organisation at this stage of its development. After weighing the advantages and disadvantages of membership based organisations, another structure was identified that would capture many of the benefits of a membership organisation, without its disadvantages (Cock-Duque, 2007:17). ARM particularly wanted to ensure that the structure would enable meaningful participation, broad based representation, transparency, accountability and expertise, while avoiding the administrative costs of a membership association, such as large time and financial expenditures. Through consulting directly with staff from other standard setting and assurance organisations reviewed in their internal study, as well as experts of multi-

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[10] ARM is housed in the offices of AMICHOCO, a Colombian NGO that manages Corporacion Oro Verde. COV is jointly owned by AMICHOCO, the Community Councils of Condoto and Tado, and Fundamojarras.

[11] Fair trade has experienced substantial and sustained growth in many agricultural sectors. In 2006 the movement had grown by 41% over the previous year, including growth in cocoa (91%), coffee (53%), tea (41%) and banana's (31%). www.fairtrade.net

[12] An internal comparative analysis of governance structures and financial sustainability was conducted on six standard setting organisations for sustainable trade, in order to develop an optimal model for ARM. The organisations referred to in this study were: The Forest Stewardship Council (FSC), the Fair Trade Labelling Organisation (FLO), the Marine Stewardship Council (MSC), Social Accountability International (SAI), the International Federation of Organic Agriculture Movements (IFOAM) and the Sustainable Agriculture Network (SAN).

stakeholder governance[13], ARM concluded that a membership based structure did not necessarily mean a representative balance of power between different stakeholders (Cock-Duque 2007:17).

Instead ARM decided to structure itself as a multi-stakeholder alliance organised around three broad sectors of participants: producer organisations, support organisations, and trading/distributing organisations. ARM's governance structure is comprised of four main chambers: Board of Directors, Stakeholder Alliance, Technical Committee and a Secretariat. Formal terms of reference (TOR) are established with individuals and organisations who participate in these structures, so that roles and responsibilities are defined clearly (ARM b, 2008: SA TOR; ARM c, 2008: TC TOR).

Figure 3.1 ARM's Governance Structure
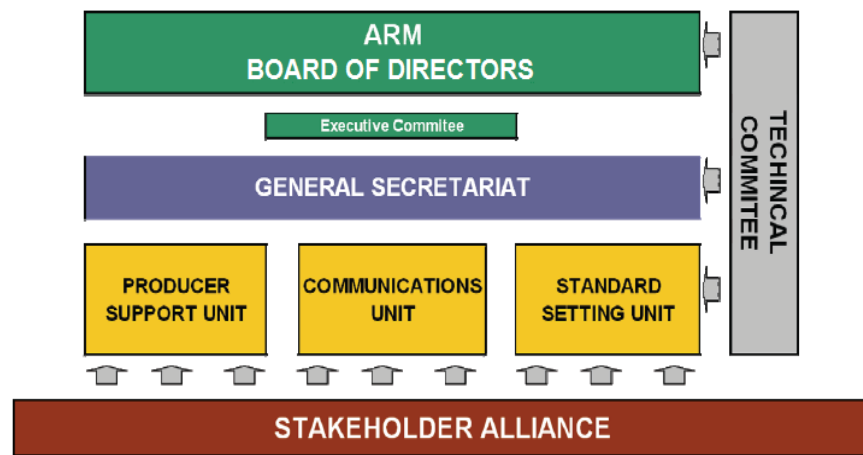
(Cock-Duque 2007: 19)

Board of Directors

The Board of Directors (BoD) is the instance that is responsible for overseeing the strategic direction of ARM, and provides leadership capacity to the Alliance.

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[13] Chairperson of ARMs BoD Catalina Cock Duque engaged in a dialogue with Nancy Vallejo who co-authored the 2004 study "Governance of Multi-stakeholder Processes" with Pierre Hauselmann. This study was produced for the Sustainable Commodity Initiative which is a joint venture of the United Nations Conference on Trade and Development (UNCTAD) and the International Institute for Sustainable Development (IISD).

The framework developed in Vallejo and Hauselmann's (2004) study was an important component behind the conceptual framework developed within this research (see pg 5 of this study). Briefly, the study proposes that successful multi-stakeholder initiatives depend on their ability to find a balance between legitimacy (representation and participation) and effective implementation of relevant objectives. A more complete discussion appears in section 1.

In fact, "board members are elected[14], based on their specialized knowledge related to ASM" (Cock-Duque 2007, 20). They are accountable in their own personal capacity and play a strategising and advisory role for ARM.

Several provisions in Directors' terms of reference are meant to foster their broad based and meaningful participation on the Board. These clauses are to ensure that the main stakeholder constituencies are fairly represented, and gender and regional representation is considered. Currently, the BoD is comprised of seven individuals, with the ability to grow to thirteen as the organisation matures. The main stakeholder constituencies are made up of small-scale miners, individuals from support organizations and traders. A further proviso is that no producers or traders hold a majority of seats (Cock-Duque 2007: 19). Currently, the BoD is made up of two miners, three researchers/NGOs, and two traders.

In addition to the main Board, an Executive Committee (EC), has been created to act on behalf of the Board between meetings on certain issues. This committee is made up of three officers who are able to quickly respond to routine or pressing issues. As the ARM's Board is spatially dispersed around the globe, the EC arrangement allows for greater manoeuvrability and sustains organisational effectiveness, while still preserving the principles of broad based participation.

Stakeholder Alliance

The Stakeholder Alliance (SA) is the broadest instance of ARM's governance structure. It is the primary instrument through which stakeholders committed to the mission, values and objectives of ARM are able to participate in the organization (ARM d, 2008: online). The SA is comprised of individuals or organisations from any part of the supply chain who want to actively participate in the development of ARM. SA members include producers, traders or NGO/researchers working towards responsible ASM.

The SA is the forum where strategies, standards and processes are socialized within ARM's network. Being a member of the SA allows participants to nominate Board members and recommend individuals for ARM's Technical Committee. Stakeholders are also able to participate in ARM's meetings and workshops, become part of a broader network of experts and organisations working on ASM issues, and communicate with stakeholders working on ASM issues via ARM's participation in external networks. (ARM d, 2008: online).

There are also plans to organise the SA along regional lines as ARM expands globally[15]. The primary reasons for this grouping would be to guarantee a bottom

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[14] Board Members are nominated by members of the Stakeholder Alliance. After consideration by the current BoD, they can be elected to become a member of the BoD.

[15] ARM is currently using a regionally based model within its Latin American Pilots. The RESPOMIN Network is a Latin American knowledge generation platform that brings together regional stakeholders that

up approach, minimize costs to participation and build sustainable alliances and networks amongst members (Cock-Duque 2007: 23). Regional decisions, strategies and/or concerns would be communicated into global decision making by bringing together representatives from each region to participate in global meetings.

Technical Committee

The Technical Committee (TC) is the instance primarily responsible for setting gold production standards. Its purpose is to develop the standards, facilitate global consultations and make amendments to the standards based on those consultations. The TC is comprised of nine to 15 experts in social, economic, environmental, regional or technical aspects of ASM and/or specialists in standard setting processes. Members are recommended to the TC for an unpaid[16] three year term.

Jointly with the Secretariat, the TC collects all the feedback from the consultations and makes final decisions on how to make standards most applicable to fair trade ASM. From the outset, the consultations have been designed with an emphasis on "a strong bottom-up approach to ensure the inclusion of community based groups of small-scale miners, and other key players, from mine to retail" (ARM, 2006: 4). Consultations take place via global and regional meetings, through on-line dialogue, and local workshops in ASM mining communities that are held by ARM's partners in Latin America, Africa and Asia.

TC's decisions are generally reached through consensus. However, if not, a majority vote is the alternative. As members of the TC are regionally dispersed and volunteer their time, the TC is able to conduct a substantial amount of its work via electronic mediums. For instance, TC members can vote from remote stations, via a written submission; meetings can also take place using virtual forums, and members participate significantly through email (Cock-Duque, 2007: 22). This allows ARM to draw upon some of the best expertise on technical issues, without the financial or administrative burden of bringing the TC members physically together.

Secretariat

The Executive Director and the Secretariat have the responsibility of running the Alliance. "The Executive Director is the Chief Executive, head of the Secretariat and Secretary of the Board of Directors" (Cock-Duque, 2007:21). With the

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are working towards responsibly mined ASM. RESPOMIN is discussed in more detail in later sections of this paper.

[16] Members of the technical committee volunteer their time and expertise. Only reasonable expenses of participation such as travel costs may be reimbursed to TC members.

guidance of the other instances, the Secretariat implements the policies, strategic objectives, and co-ordinates the supply chain. Specifically, duties include ensuring that the organisation is properly administered, encouraging collaboration, fundraising, managing staff and human resources with direction from the Board and working with the TC on the standard setting process (Cock-Duque, 2007: 21).

At this piloting stage, the Secretariat is directly responsible for executing ARM's strategic objectives. Eventually, three units will be staffed to work on the advancement of the strategic objectives: standard setting, support to producers and communications and advocacy. The Secretariat's role will then shift to supporting and coordinating these units.

This will be especially important as ARM plans to expand with pilots in Africa and then in Asia, in order to develop into a global initiative. Intentions for the future also include developing and applying certification beyond gold and to other precious metals and coloured gemstones (Interview with Cristina Echavarria, May 7 2008). Additionally, there has been some preliminary discussion about how to accredit the certification system to ensure that ARM products are of a high and uniform quality (Cock-Duque, 2007:34).

3.2 Strategic Objectives

The preceding sections have outlined ARM's history and structures. This section will discuss ARM's strategic objectives, and illustrate the ways in which these are being implemented.

In order to develop a traceable and discrete supply of certified fair trade gold from artisanal and small scale producers, a three fold approach is being taken to (1) develop standards through multi-stakeholder consultations; (2) support producer implementation of fair trade standards; and (3) communicate and lobby for improved market access and public policies for artisanal and small scale mining (ARM a, 2008: online).

Standard Setting

In 2005, ARM began its standard setting process. The initial step of this process was the identification of a vision for responsible ASM. This was then translated into a comprehensive set of draft standards for fair trade gold. Subsequent drafts of the standard are going through regional and global consultations and pilots.

A broad vision, and principles, for responsible mining was developed by ARM in conjunction with the RESPOMIN knowledge network. This vision was articulated at a 2006 RESPOMIN meeting in Quirama, Colombia, and fittingly called the 'Vision of Quirama' (Echavarria, 2008). The development of this vision brought

together a multi-stakeholder group of primarily Latin American researchers, producers, policymakers and practitioners in ASM. RESPOMIN was formed and coordinated by ARM with support from the Iberoamerican Programme for Science and Technology (CYTED).

Subsequently, the Quirama vision and other international norms[17], with special attention to gender equality and multiculturalism (ARM a, 2007:5) became the guiding principles for the development of a holistic set of standards for responsible ASM. The standards were framed within the fair trade discourse[18], and adapted the Fair Trade Labelling organisations (FLO) standards to the context of ASM (ARM, 2006: 2).

> **Box 3.2 Vision of Quirama**
>
> "ASM is a formalized, organized and profitable activity, that uses efficient technologies and is socially and environmentally responsible; it progressively develops within a framework of good governance, legality, participation and respect for diversity; it increases its contribution to the generation of decent work, local development, poverty reduction and social peace in our nations, stimulated by a growing consumer demand for sustainable minerals and jewellery."
> (ARM a, 2008: online)

Consequently, 'Standard Zero for FairTrade Gold and Associated Metals' was launched in 2006 as a draft set of standards. Standard Zero was developed by the TC, making use of expertise from a wide variety of disciplines[19] and regions. For this, the Committee also engaged with members from other related and ongoing international efforts, such as International Labour Organisation (ILO)'s International Program on the Elimination of Child Labour (IPEC), the Global Mercury Project, the Fair Trade Labelling Organisation (FLO) and the World Bank's Communities and Small Scale Mining Secretariat (CASM).

Standard Zero is formulated around five thematic areas; social, economic, labour environmental and trading requirements. Within these broad themes there are sub-texts that develop the fair trade criteria. For instance, the labour

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[17] Such as the Millennium Development Goals, Johannesburg Declaration on Sustainable Development, Universal Declaration of Human Rights, and ILO conventions on decent work.

[18] The fair trade model was chosen because it offers producers market access to niche ethical markets where they are able to get a fair price for their commodity, as well as receive a social premium for attributes of the product beyond physical aspects such as labour and environmental standards. Furthermore, fair trade promotes long-term and sustainable relationships between producers and traders and includes access to pre-financing and credit. Finally, the fair trade supply chain provides a platform for connecting producers with consumers, and supporting the momentum for trade justice and wider reform of the international trading system.

[19] The technical committee brought together experts from disciplines such as: certification, organizational strengthening of ASM groups, the dignification of labour, occupational health and safety, use of mercury, environmental management, gender issues, child labour issues, emergency preparedness and response, cleaner production, policy and formalization issues, ecological restoration practices, governance, sustainable livelihoods, and market and financial issues (ARM a, 2008:online).

development criteria address the prevailing labour rights regime (no forced labour, gender equity and abolishment of child labour), working conditions such as health and safety standards, as well as access to social security systems.

In addition, Standard Zero is written with minimum and progressive requirements because of an understanding that fair trade is also about building the capacity of producers. While the minimum requirements are necessary for fair trade certification, progressive requirements have a longer-term vision to empower producers and recognise that change is a process.

For instance, Standard Zero's environmental criteria does not ban the use of mercury or cyanide to process the gold, but outlines how they can be managed to reduce environmental impacts. The requirement also specifically "seeks to promote a gradual decline in the amount of rock that is processed through (mercury/cyanide) amalgamation" (ARM a, 2007: 18). A further incentive for producers to improve their environmental practices is an "Ecological Premium FT ASM Gold," over and above the fair trade premium. This is applicable where mined gold is mercury and cyanide free (ARM a, 2007: 4.3.1) and where mining practices do not permanently alter the local ecology beyond recovery (ARM a, 2007: 4.3.2).

These elements of Standard Zero make it a dynamic document that is applicable to multiple types of small-scale mining operations. It also recognizes that producer organisations will build their capacity through sustained engagement with the fair trade system. A potential challenge of multiple certification criteria is the strain on consumers to understand what quality standards they are buying (Renard, 2005:430). Accordingly, ARM will need to develop a clear branding and marketing strategy to help consumers understand what the fair trade vs. fair trade green labels mean, and the reasons that some operations are able to meet both social and green criteria while others do not[20].

The current version of Standard Zero (2008) comes out of nine consultative workshops that brought together over 800 participants, as well as substantial comments from other interested parties. ARM also invited global feedback by posting Standard Zero on its website in five languages (English, Spanish, French, Portuguese and later Mongolian) as well as distributing it through several email list serves (ARM a, 2007: 2). The TC met in Lima, Peru to review comments and adapt the standard based on the first phase of public consultations (August - December 2006).

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[20] Operations that produce alluvial gold are more likely to receive a 'green premium' in addition to the 'fair trade premium' , given that alluvial gold can be more easily recovered without the use of mercury and cyanide. It is more of a challenge for gold to be mercury and cyanide free when it needs to be separated from rocks and other minerals, and when producer associations have to invest more resources to developing alternative technologies in order to achieve a green premium.

Standard Zero is currently being ground tested at nine sites in Bolivia, Colombia, Ecuador and Peru, for a period of 18 months. Along with these pilots, ARM is also in the process of developing partnerships in Mongolia, Madagascar, Tanzania, Uganda and Mozambique, in order to socialize Standard Zero in other regions. This is the initial stage of ARM's long term strategy for Standard Zero to become a global benchmark for ASM. In order to actualize this, they are trying to identify ASM operations in African and Asia where they may be able to pilot Standard Zero, this to determine the applicability of the current standards in different regional contexts. Through this process ARM will have to decide on the uniformity or flexibility of the Standard in different regions. This will have to include how to handle trade-offs between local and global indicators, so as to maintain equity across the regions and clear branding for consumers.

ARM has sought to prepare itself for these decisions by developing a proactive strategy for a legitimate standard development process. ARM adheres to the ISEAL code of good practices for social and environmental standard development. ISEAL on its part has recognized ARM's commitment to the "ISEAL Code of Good Practices," and has listed it as a 'non member' compliant organisation on their website (ISEAL, 2008: online).

ARM has also experimented with methodologies to promote participation and break down power relations so that miners, academics and practitioners are able to sit together and debate the visions and standards and feel secure that what they say will be meaningfully received. One strategy that has been used is the Reflect-Action tool for adult learning for social change. Also, at the 2008 'Training of Trainers' learning forum a conflict resolution consultant was brought in to workshop, with miners and support organisations, constructive ways to deal with, and resolve, conflict. These methodologies promote mutual learning and build trust between miners, support organisations and the ARM Secretariat.

Box 3.3 ISEAL Code of Good Practices

ISEAL is an international non-profit organisation founded in 1999. Its primary objective is the development and "codifi(cation) of best practices for the design and implementation of social and environmental standards initiatives" (ISEAL website, about ISEAL).

The ISEAL's Code of Good Practice for Setting Social and Environmental Standards provides a benchmark to assist standard-setting organizations to improve the process in which they develop social and environmental standards.

The Code of Good Practices was developed through a multi-stakeholder consultation process, itself a central element of ISEAL's approach to developing standards. It outlines procedures for the development of credible standards that address issues such as the scope and effectiveness of standards, methods for meaningful participation in standards development, and the process of harmonizing standards with other initiatives so that they are widely applicable.

More information can be found at www.isealalliance.org

Currently, ARM is working towards finding a third party certifier to verify compliance with Standard Zero. One potential option that is being explored is to work with pre-existing certifiers, such as the FairTrade labelling organizations, and use their FLO-cert division. A Memorandum of Understanding was signed between ARM and FLO in 2007 to further explore this relationship (ARM-FTF-FLO, 2007). In lieu of developing a partnership with FLO, ARM is also looking into alternative organisations who have the capacity to act as third party verifiers (Interview with Cristina Echavarria, May 7 2008).

ARM has also developed a brand, 'FairMined', specifically for responsibly mined jewellery. This logo will either be co-branded with an existing brand such as the FLO logo, or be developed as a stand alone trademark. In January 2009, ARM and FLO reiterated their commitment to work together to develop a comprehensive certification system for responsible ASM gold (FLO and ARM, 2009). It is expected that fairly traded, FairMined certified gold will become available in the market in 2010.

Producer Support

Supporting community based small scale artisanal miners is a principle that is central and entrenched in ARM's mandate. A primary requisite for implementing Standard Zero is that small-scale and artisanal miners' associations must 'demonstrate a partnership with a support organisation (NGO, government agency or academia) that will ensure the technical quality of the evaluation of Standard Zero and the application of a participatory approach based on learning by doing" (ARM a, 2008:online). The emphasis put on 'participation and learning by doing' reflects the progressive nature of the standard. In ARM, participatory learning occurs within a specific mining operation, between miners and support organisations, horizontally between pilot projects and throughout the ARM network as a whole.

> **Box 3.4 ARMs Vision for Communities**
>
> A long-term objective for ARM is to leverage its formalization of producer organisations for broader community development.
>
> Eventually, ARM seeks to incorporate the informal groups and producer family units who provide associated services within the same village into the fair trade scheme to generate improved quality of life for communities (Echavarria, 2007:5).

Linking producers and support organisations has been one way in which ARM has institutionalised learning within producer organisations. This mandated relationship (a requirement of Standard Zero) is seen as a necessary prerequisite for adapting ASM operations to a fair trade threshold. Oftentimes the support organisation has a history of working with the producer organisation prior to becoming part of the ARM network. In some cases, the producer/producer support relationship has had to be created; this was the case with the Bella Rica cooperative in Ecuador. When Bella Rica expressed an interest in becoming a Standard Zero pilot, ARM drew upon its network of NGOs working in ASM and identified the academic organisation Escuela Superior Politécnica del Litoral

(ESPOL) to work with Bella Rica on standard testing and application. ESPOL has been very important in facilitating this process, specifically in testing the toolkits and giving systematic feedback to the network. However, it is essential that the miners and cooperatives be confident with the fair trade gold project, and that they be convinced that, for them, this is a good economic and social opportunity.

Along with the direct capacity building relationship between support and producers' organisations, a number of toolkits have been developed to assist producer organisations with implementing Standard Zero. The three toolkits in use to date are: the baseline toolkit, the cost of production toolkit and the quality management system and traceability toolkit (ARM b, 2007).

The *Baseline toolkit* was developed to act as a reference for producer organisations as they implement Standard Zero. It aims to help organisations gain a greater understanding of what they have achieved and the challenges that remain in order to reach the level of fair trade. The Baseline tool also enables pilot projects to monitor progress from a starting point in their institutional development.

Box 3.5 Regional Consultations and Training

The Second Regional Workshop on Standard Zero was held in Peru from April 23rd to 30th 2008. This event was primarily to get feedback on Standard Zero and toolkit effectiveness.

Several pilots reported that the toolkit helped to organise information, in some cases already known, but not documented. The toolkits also provided an opportunity to learn new information. For instance, one pilot reported that baseline tools revealed much social division in the operations in terms of age, gender and inequalities in the division of responsibilities (AURELSA). This information was already known to some, but broader awareness was raised through these processes.

In some cases the methodology had to be adjusted to better capture necessary information. Pilots reported cross referencing with government records, bringing on anthropological, environmental or other technical experts, or working with groups of miners and special informants, rather than relying solely on local individuals to gather the information (ARM Workshop: Day 1: April 23 2008).

Some important feedback on the toolkits included:

-complexity of the methodology, including the length of document and technical language;

-need to work with technical experts to complete some of the requirements; and

-confidentiality of information being released by miners (especially for cost of production).

Two working groups were created to address this feedback on Baseline and Cost of Production toolkits.

Furthermore, a first training session was held on the QMS toolkit by leadership of COV who developed the toolkit.

Similarly, the *Cost of Production toolkit* helps miners learn more about business operations and management. It allows them to disaggregate revenues and expenditures and helps the miners gain a day to day understanding of their operations. The intention is that they can be more empowered to plan future

growth and expansion, given a clear understanding of their present conditions (ARM Workshop: DAY 1: April 23 2008).

Lastly, the *Quality Management System and Traceability toolkit (QMS)* develops an internal process for reflections on fair trade quality systems and is a self-assessment tool for the producer organization. The QMS is made up of three manuals: A *Manual of Procedures* to record routine processes; a *Manual of Quality Assurance* to build internal accountability; and, a *Manual of Formats* to standardize documentation and processes and ensure the full traceability of the metal.

Lina Villa, executive director of AMICHOCO and a developer of the QMS toolkit, reflects on COV experiences with internal quality management systems. The QMS 'provides mechanisms for accountability, governance, development of procedures and building internal controls … it helps to create maturity in organisations because it lessens reliance on a few individual members through the institutionalization of processes' (ARM Workshop, DAY 2: April 24 2008). In her opinion, the QMS tool has normalized third party verification because fair trade standards are primarily conducted internally by the producer organisation itself, with third party verification serving only as a further level of accountability and quality assurance for consumers.

Communication and Advocacy

ARM's third objective is to co-ordinate the fair trade supply chain of ASM gold and advocate for further growth in this sector. This role includes facilitating communications inside and outside the network to identify opportunities and build partnerships, share information and innovations, and participate in the global discourse around ASM. This advocacy component has been integrated into ARM's strategy in order to support the formalization and legalization of ASM, and participate in the creation of a global enabling environment which is necessary for the scaling-up of this movement.

In order to meet this objective, ARM actively participates in global forums such as CASM and Madison Dialogues to coordinate an ASM development strategy and commercialization strategy respectively. It works with governments, businesses, industry associations and NGOs in different regions where pilot projects are currently operating, or in regions where it is planning to expand.

Of special interest are the public policies that guide ASM in many developing countries. Oftentimes policies are written for large industrial mining concerns and are not suited to smaller mining operations, and in some countries, ASM is even an illegal activity (Interview with Laura Barretto, April 3 2008). In line with Standard Zero, gold must be sourced from a legal mining concession in order to be certified "fair trade" (ARM a, 2007: A10). This is one of the main incentives for engaging with policy makers and regulators.

To date, ARM has mainly engaged with governments individually rather than with their regional and global fora. This makes it difficult to create universalized definitions or policies for ASM in the countries where ARM operates. Even in the Latin American piloting countries, there is a wide range of policies towards ASM. For instance, Peru has an artisanal mining law and already miners and NGOs are working to improve upon it (Meeting at the Congress of Peru, Lima, Peru: April 25 2008), whereas in neighbouring Colombia the government continues to see ASM as a hassle or problem that needs to be eliminated; it channels more of its energy towards attracting large scale multinationals (Interview with Nicholas Lopez, May 16 2008).

> **Box 3.6 Engaging with Policy Makers**
>
> ARM is engaging with governments, and illustrating through their pilots, the developmental opportunities that can be reaped from legalized and organized small scale mining. For instance, in conjunction with the Peru meetings at the end of April, all the delegates attended a public meeting at the Peruvian National Congress to discuss national legislation around ASM. Presentations were made by several of the pilot projects about their experiences in formalizing their operations to gain fair trade certification. Specialists in public mining policy, and the commercialization of gold also made presentations to the congressmen. This was a televised meeting that was broadcast on the national legislative channel and to all the politicians' offices in the Peruvian Congress.

Thus, the public policy environment is one of the most challenging objectives for ARM (Interviews with Laura Baretto April 3 2008, Cristina Echavarria May 7 2008, and Catalina Cock-Duque May 9 2008). Perhaps this is because it requires the Alliance to engage with governments who hold an adverse view of ASM; much effort is needed to make them see the developmental opportunities of ASM, and then convince them to develop policies that support a formalization of the ASM sector.

There is also an opportunity for Standard Zero and the piloting experiences to build national and regional governments' capacity. The processes that pilots have developed to implement Standard Zero can possibly be used as a point of reference for governments, as these try to define the scope of ASM and develop viable policies to govern it. This is because Standard Zero engages with many of the technical, economic, environmental and social aspects for sustainable artisanal mining. Governments can potentially learn from, and engage in an iterative process with ARM, so as to transform ASM into an opportunity for poverty alleviation and national development (Interview with Julia Cuadros April 21 2008). Through this type of dialogue ARM's initiative can have broader outreach, beyond those producers' organisations with which it directly works to certify gold fair trade[21] (Interview with Laura Barretto April 3 2008). ARM recognizes that its work can be supported by progressive government policies; it

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[21] Cristina Echavarria, Secretary General of ARM spoke publically at the Peruvian Congress about ARM's aspirations to have a wider influence on public policy and ASM than the Associations direct stakeholders (Echavarria, Congress of Peru, April 25 2008).

therefore defers to national legislation whenever this sets requirements that are more demanding than those of Standard Zero on particular issues (Standard Zero, 2007: A16).

On the commodity distribution front, ARM is coordinating the development of systems and procedures to trace the gold from mine to retail. This includes creating traceable refining capacity, developing partnerships with distributors and formulating a branding and marketing strategy. One of ARM's key partners in this process is the UK based Ethical Bullion Company (EBC), created to operate as the refining and distribution channel for Standard Zero certified gold. Negotiations are currently ongoing to establish formal ties between EBC, ARM and producer associations (ARM and EBC, 2008). Producers do not have to channel their gold through the EBC interface to be fair trade certified (Interview with Patrick Schein, April 14 2008). Still, there are some clear incentives for miners to work with the EBC. These include the channelling of a percentage of profits from the sale of gold back to producer associations and their communities, so as to create a long-term source of development finance (ARM and EBC, 2008; Interview with Greg Valerio, April 10 2008; interview with Cristina Echavarria, May 7 2008). This model innovates with regard to corporate decision making, as it ensures that the EBC honours the miners' values and their vision for responsibly produced jewellery.

Currently, pilot projects are beginning to test the EBC by channelling some of the gold produced through its refinery in Paris and its distribution house in London. The Sotrami cooperative, one of three Peruvian pilots, recently sent 1.2 kg of gold through the EBC channel. Similarly, the Nariño pilot in Colombia has also been sending small shipments of gold through the EBC. They initially sent 1 kg of gold, and are progressively sending larger shipments of up to 3kgs, as their confidence in this refiner/distributor improves (Interview with Greg Valerio April 10 2008; interview with Cristina Echavarria August 1 2008).

Through the development of the EBC, ARM is also attempting to transcend the 20th century model of the NGO that fully depends on donors to create alternative sources of income, in order to finance the coordinating secretariat and increase the economic gains accruing to miners and their communities. While the Secretariat and pilots currently depend on donor funding, a future ambition is to move toward a social entrepreneurship model (Reis 1999) that uses the 'ethical' markets to solve social problems *and* provide financial sustainability to the Secretariat in order to multiply the movement.

3.3 Generating, Coordinating and Building upon Knowledge

ARM has drawn upon a diverse range of knowledge generating platforms to support its institutional growth at local, regional and global levels. Some of the knowledge networks are from stakeholders within the Alliance, and others are with external actors. In order to illustrate ARM's philosophy of knowledge this

section will discuss the multiples ways in which learning is being fostered in ARM through internal and external knowledge platforms.

Internal Knowledge Platforms

ARM's Secretariat is critical for communications, coordination and networking within the Alliance. It facilitates multiple information flows that support peer-learning between producer organisations and the transfer of knowledge and information between producers and traders. The Secretariat also has the primary responsibility of engaging with external networks to share ARM's experiences and strategies, as well as integrate knowledge from other initiatives into its learning systems.

The harnessing of technology to reduce physical distances has been used to foster strong communications, disseminate and store information, and coordinate strategies. Members of the ARM network extensively use email, Skype, and teleconferencing technology to communicate. ARM also has a very active website, where members of the Alliance can access documents and communicate with internal and external colleagues via the newsfeed.

One practical example of how ARM is innovating to bridge the knowledge gap is by distributing to every participant, at the end of its workshops, CD roms containing all of the workshop's presentations. This is an efficient and inexpensive way of ensuring that knowledge is physically shared between participants, and becomes part of their reference bank. It also supports the institutional memory of the organisation by recording and documenting the multiple stages of development, as new knowledge is introduced into the Alliance.

> **Box 3.7 Encouraging Peer-Learning**
>
> One apparent example of peer learning was at the Aurelsa pilot project in the Sur Medio region of Peru. Since 1986, Aurelsa has gone from an informal and illicit operation to a highly formalized cooperative that owns the mining concession where they operate, conduct geological surveys, and has developed water and environmental management strategies[1].
>
> Aurelsa has also hired engineers to professionalize their operations by surveying the land, organising human resources, and taking responsibility for occupational health and safety.
>
> Producer associations from other operations appeared to be very impressed by this approach of contracting engineers to develop the potential of the mining operations. During the field visit, there was a substantial question period between members of the visiting producer organisations and the engineers and management of Aurelsa about the value-added of this expertise (author's observations).

However, it has been noted that building and sustaining relationships solely through virtual contacts is challenging (Diani, 2000). Thus, ARM has tried to create opportunities for stakeholders to meet, exchange experiences and build trust. One way that they have done this is through opportunities for horizontal knowledge exchange between producer organisations. A particular example was

at the April 2008 'Training of Trainers' meetings in Peru, participants traveled to the three Peruvian pilot projects in the Sur Medio region of the country[22]. This was an opportunity for producer and support organisations to learn from the experiences of other pilot projects. This learning tour included visiting the mine shafts, processing plants, woman miners' recovery and sorting operations. The field trip was an opportunity to visit surrounding communities and exchange ideas regarding technical and administrative aspects of mining operations. It encouraged discussions and networking between producer associations. Successive tours are being planned to visit other pilot sites in order to reciprocate occasions for peer-learning.

An additional approach for knowledge generation and exchange within the ARM network has been to involve a number of 'in house' specialists and experts into the different instances of the organisations' governance. Along with the Technical Committee (previously mentioned), ARM has a public policy specialist who sits on the Board of Directors; a technical and environmental specialist who is a member of the Stakeholder Alliance and Technical Committee; and people who have extensive knowledge in trading, refining and distributing gold on the Stakeholder Alliance, Technical Committee and Board of Directors. The Executive Director is also very experienced in community development and in conducting/administering social research in participatory natural resource management. These skills have enabled the coordination of knowledge flows to develop actionable outcomes from this information.

While these examples do not account for the full range of expertise that ARM draws upon, they illustrate the ways in which ARM is creating internal knowledge networks to build its capacity to innovate. This internalisation of knowledge allows producers associations to learn amongst each other, and have unprecedented access to highly skilled people who share their expertise with miners and their communities. These strong internal processes of knowledge management also have the potential to increase the profile and legitimacy of the organisation amongst other national, regional and international players: ARM's strategy merges grassroots and professionalized learning processes.

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[22] The learning visit was financed by the Fair Trade Foundation of the UK and coordinated by the ARM Secretariat.

External Knowledge Platforms

ARM is also an active member of external and/or peripheral networks for information exchange and capacity building. In some cases, it has worked with external networks to create synergies between organisational objectives, and at other times it has built upon the work done by previous knowledge and capacity building initiatives, particularly in the pilot regions. This section will outline several instances of how ARM has interfaced with other external networks to support their organisational objectives.

RESPOMIN (the Network for Responsible Mining) is the most closely allied knowledge network to ARM, and has a set of strategic objectives that seek to support ARM's mandate to create a

> **Box 3.8 Regional Knowledge Networks**
>
> The RESPOMIN network was established in 2005 to bring participants from Latin America together for seminars, exchanges and courses, as well as to publish on their work. It is comprised of approximately 30 researchers, NGOs and mining leaders.
>
> To date, major achievements have been the development of the 'Vision of Quirama' which underpins the Standard Zero development process. RESPOMIN has also recently published "La Rama Dorada" translated as "The Golden Vein", which is a guide for responsible ASM (RESPOMIN, 2008).
>
> Initially, RESPOMIN received two years of funding from the Ibero-American Program of Science and Technology for Development (CYTED). Reflecting the enduring value of the network to its participants, this has remained operational (mainly by email and other ICT's) even though CYTED funding ended in 2007 (Interview with Olma Alvarez and Robert Dover, May 19 2008).

certification system for ASM. RESPOMIN was founded in 2005 by ARM's leadership and strategic partners as a potential solution to generate a participatory set of principles for responsible ASM[23]. RESPOMIN's seeks to be a collaborative research "(n)etwork for the exchange of knowledge, experiences, technologies and processes related with artisanal and small-scale mining," (ARM a, 2008: online).

The Communities and Small-Scale Mining Secretariat (CASM) has been mentioned several times throughout this study. The ARM Secretariat has acknowledged that CASM 'plays a significant knowledge sharing and dissemination networking role for ARM' (Interview with Cristina Echavarria, May 7 2008) and thus they have participated in all CASM annual meetings since their inception. In 2005, the meeting helped them to gain institutional legitimacy amongst peers to begin to formulate Standard Zero (Ibid). They have also been given opportunities to workshop Standard Zero at the 2006 Madagascar and 2007 Mongolia events. The ARM Secretariat also jointly organised the 2007

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[23] ARM, in alliance with the INER Institute of the University of Antioquia (Colombia) and the Amigos del Choco Foundation (member of the Oro Verde Corporation) coordinate the RESPOMIN network (ARM website)

'Ethical Jewellery Summit' with CASM and others[24], and is a contributor to the 'CASM Communiqué", a recently established (June 2008) monthly publication that reports on global activities in the ASM sector.

The current president of the Regional Association of Artisanal Miners (AMASUC Latin America) expressed that CASM has provided a forum for organisations working toward developmental ASM to exchange experiences, and that CASM meetings are often significant opportunities for networking (Interview with Manuel Reinoso Rivas, April 25 2008). For instance, he recalls making contact with the current Executive Director of ARM at the 2002 CASM meeting, and today, he is a member of ARM's Board of Directors and a leader within the Alliance.

Other key individuals have strengthened ARM's capacity by bringing their personal networks to support the Alliance's institutional growth and capacity. For instance, Ashoka, an organisation that supports social entrepreneurs, elected Ms. Catalina Cock-Duque (Founder and Chairperson of ARM) an Ashoka Fellow. This lifetime fellowship aims to invest in outstanding social entrepreneurs and "helps them to achieve maximum social impact" (Ashoka a, 2008: online). Ashoka's threefold strategy is to support individual social entrepreneurs, create a forum for social entrepreneurs to work together and collaborate, and to give them the access to a network of business and academic consultants for advisory and strategising services (Interview with Sarah Berghorst, May 21 2008).

> **Box 3.9 The Ashoka Organisation**
>
> In lieu of trying to assess Ashoka's impact on Ms. Catalina Cock-Duque, and subsequently on ARM, this study will present some findings from Ashoka's self evaluation that seeks to measure the effectiveness of their investment in fellows.
>
> Ashoka found that after 10 years of being a fellow, 66% were leaders in their fields and 71% of fellows' ideas have been inline with national government policy shifts. Their evaluation also attempted to quantify Ashoka's impact on the Fellows' overall success, and determined it as having a 56% impact on Fellows' achievements (Ashoka c, 2008: online).

In several instances, Catalina has used Ashoka's network to support ARM's development. One clear example is that ARM's branding strategy, FairMined, was developed by marketing professionals who are part of Ashoka's strategic partners[25] and work on a pro-bono basis to support Ashoka social entrepreneurs (Interview with Catalina Cock-Duque, May 9 2008). She has also used her fellowship to consult with global business leaders on a potential structure for

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[24] The Ethical Jewellery Summit took place on October 25th and 26th 2007 at the World Bank/CASM headquarters in Washington D.C. It was organised by ARM, CASM, De Beers, Earthworks, Ethical Metal Smiths, Fair Trade Labelling Organisation, Partnership Africa Canada, Jewellers of America, Rapaport Group. The Summit was supported by various large scale mining multi-nationals and international jewellers.

[25] Ashoka has forged strategic partnerships with leading global companies, to provide management, communications, finance, and other expertise to the citizen sector (Ashoka b, 2008: online).

ARM's partnership with the Ethical Bullion Company (Ibid). The impact of Ashoka's support on these two issues still has to be fully determined because ARM has not yet begun to commercialise certified gold; ARM is still negotiating with EBC to define its stake in the company. Nevertheless, Ashoka has enabled ARM to learn and strategize with a cohort of leading consultancy agencies and business leaders; these have (at the least) shown commitment toward transferring business and financial skills to the social sector.

This research has also identified examples of how ARM's work has built upon the foundations laid by previous efforts. Two examples of how capacity building projects have enabled ARM to innovate with alternative trade structures will be presented. Both these projects sought to empower producer organisations with sustainable and developmental mining practices, and assist them with developing their operations.

Project Gama (Gestión Ambiental en la Minería Artesanal) was started in 1999 to improve the environmental conditions and support the sustainable development of the Sur Medio region of Peru[26]. The project broadly focused on the formalisation of artisanal mining, and worked on four themes: technical-environmental, health-environmental, social-economic, and legal issues (Gama, 2008: online). Gama is a three phase project, which concluded in 2008[27]. Along with work in the pilot regions, another project output is a web-based knowledge portal with real-time information about the gold market, a document library, a database of institutions working on ASM and links to other initiatives (including ARM and CASM).

The project co-ordinators of Gama, who were known to ARM's leaders, identified and recommended to ARM the three current Peruvian pilot projects (Interview with Felix Hrushka, April 28 2008). By that time these pilots had achieved significant progress towards formalisation (e.g.: a legal concession, an active producer's association, environmental management, health and safety policies, and other economic and social indicators necessary to participate in the certification scheme).

It is unlikely that these achievements could have been made possible without the capacity building of Gama and other development programs. Furthermore, Gama had developed a significant amount of data and contextual information that it has shared with ARM on mining operations, mineral processing techniques and surrounding communities (Interview with Felix Hrushka, April 28 2008). As Gama was in its final stage, its leadership worked to support ARM's initiative by providing technical advice an administrative support (in Peru), and by helping

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[26] Project Gama worked with artisanal miners in the departments of Fist, Arequipa, Ayacucho and Ica, Peru.

[27] Project Gama was financed by Swiss Co-operation, and managed by a local team and an international consultant based in Lima.

miners to seize new opportunities for long-term economic gains and developmental outcomes through fair trade certification.

A second example of how ARM's work has been facilitated in part by the work of a previous capacity building initiative is provided by the ILO's International Program on the Elimination of Child Labour (IPEC). Among other regions, IPEC worked in the Sur Medio region of Peru on a project that addressed the social, technical, production and environmental problems of traditional gold mining methods (Martinez-Castilla, 2000). This project compiled a range of statistical and qualitative information and provided a baseline of data for the region (Martinez-Castilla, 2000). The ILO-IPEC program also made investments into technification of mining operations, and worked to improve social conditions.

Particularly for ARM, the ILO/IPEC worked with the producer organisation Sotrami, the association of women miners, and the corresponding village, Santa Filomena, who are currently piloting Standard Zero. One concrete example of how IPEC's work supported ARM is through the installation of mineral processing facilities to separate the gold from other minerals, instead of using Quimbaletes, a traditional Inca technology that is primarily operated by children[28] (Interview with Felix Hrushka, April 27 2008). Subsequently, Sotrami also invested in a more efficient technology, cyanidation agitation tanks, which reduces processing times from one month (ILO technology) to one day.

According to Cooperaccion, a Peruvian NGO working with the ILO on the national implementation of the project, funding and political support for this type of project could be mobilized primarily because the project was framed in terms of children (Interview with Julia Cuadros, April 21 2008). Moreover, according to project implementers, the initiative brought various levels of government, large scale mining companies, small-scale miners and communities to the table under the theme of elimination of child labour; however the project outputs had broader implications and helped to push the ASM agenda generally forward in Peru (Ibid).

The work of the ILO-IPEC project is a further example of how ARM has built upon the capacity of previous investments in ASM producer organisations and communities. The experience of the ILO project created a baseline of information on the communities of Santa Filomena and on the Sotrami operations that ARM has been able to refer to, when implementing its baseline toolkit. Furthermore, the ILO project invested in sustainable technologies, and created opportunities for the mining communities to understand the benefits of technology – which has led to further self-funded investments in mineral processing techniques.

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[28] Quimbaletes are a see-saw like device that mills the rock and separates the gold through mercury amalgamation. Children often work the quimbaletes because of their size, and because it is relatively easy and 'fun' work. In addition to the opportunity cost of forgoing education to work the quimbaletes, children are also highly exposed to mercury (liquid and vapour) through this type of work.

As a result, Sotrami has built up enough capacity to participate as an ARM pilot, and benefit from additional producer support and learning opportunities created by ARM. This capacity building has also been translated into horizontal learning opportunities by other ASM producer organisations within the ARM network - outlined in the previous section on internal knowledge platforms. It has been an example of successful ASM operations that support the Peruvian Government's case for reforming the mining code into one that would be more applicable to small-scale mining activities.

Summing up, there is a fairly good chance that certified gold will be produced by ARM's Latin American pilots in the upcoming year. A substantial part of this success is due to the efforts of producer organisations, support organisations and international cooperation programs that worked with artisanal mining communities prior to the ARM project (Echavarria, 2007: 5). Through this period of incubation and piloting, ARM has been able to develop a well designed system of governance that encourages it to be a learning organisation. It has also been able to blend together traditional knowledge with professional skills to develop a set of standards applicable to ASM. Capacity for this has been enabled through the Secretariat, which coordinates the functions of the organization's other instances and implements its strategic objectives. Thus, ARM's progress to date has put it in a fairly good position to implement the standards in the Latin American context.
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For ARM to reach its aspirations of certifying ASM miners globally, it will need to continue to identify committed producer and support organisations that have the capacity to test the standards and adapt these to different regional contexts. For this, ARM must also work to develop corresponding knowledge networks in these regions (similar to their work with RESPOMIN). Finally, it will be important for ARM to continue to engage with transnational networks in an effort to create an enabling global public policy context.

Chapter 4

The Kimberley Process Certification Scheme

The Kimberley Process Certification Scheme (KPCS) is an international effort to eliminate the trade in conflict diamonds. Established in 2003, the KPCS is an intergovernmental regime to which so far 49 member countries have adhered that are engaged in diamond producing, cutting, polishing, and retailing.[29] It uses a process of monitoring and certification to track rough diamonds as they travel along the production-supply chain, in an effort to ensure that revenues from their sale are not channelled towards conflict.

The issue of conflict diamonds came to international attention as a result of significant campaigning by global civil society organizations (CSOs). Civil society raised the profile of 'blood diamonds' through the threat of consumer mobilization. This activism endangered the romantic branding of diamonds and put pressure upon the industry and nations involved in the industry to confront the issue of the conflict trade. This

> **Box 4.1 Civil Society Propels Global Governance**
>
> Efforts were made by Global Witness, Partnership Africa Canada and Fatal Transactions among others to inform consumers and mobilize industry about the role of diamonds in financing conflict in West and Central Africa (site). In 1999, Global Witness published 'A Rough Trade: The Role of Companies and Governments in the Angolan Conflict". This was the first of many exposés that revealed linkages between the legitimate diamond trade and civil conflicts in Angola, Sierra Leone, Liberia, DRC, and more recently in Côte d'Ivoire and Zimbabwe. Côte d'Ivoire and Zimbabwe have both been noted in the 2008 Kimberley Process Communiqué released after the India Plenary.

mainstreaming of conflict diamonds prompted the industry to mitigate risk by taking a coordinated and concerted position.

In 2000, the industry established the World Diamond Council with a mandate to work towards "the development, implementation and oversight of a tracking system for the export and import of rough diamonds to prevent the exploitation of diamonds for illicit purposes such as war and inhumane acts" (WDC, 2008). The WDC coordinates the implementation of the KPCS through industrial stakeholders such as cutters, polishers and retailers. The WDC has also developed a voluntary set of CSR principles to guide industries' compliance of the process.

The 'US War on Terror' was another driver as it linked diamond trading with terrorism[30]. When the US passed the Clean Diamond Act of 2003, the KPCS was legitimized because this Act requires that diamonds entering the US market be tracked and certified (Tamm, 2004:690). As the US accounts for over 50% of

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[29] The European Union is constituted as one member.
[30] Please see: US House Congressional Record (H8386). November 27, 2001.

global diamond retail sales, this was a major propeller for the establishment of the Kimberley Process (Interview with Ian Smillie, Jan 23 2008).

Six years on, the KPCS has become a working piece of global governance – and the only legitimate channel for the international trade of rough diamonds. At the global level, the Kimberley Process has been structured with an annual rotating chair amongst members, who also acts as the secretariat for their term. There are also seven working groups and committees that provide the institutional structure of the process. While the KP has been negotiated and monitored at the international level; it is also implemented at the national level by governments who are required to meet a number of minimum requirements to remain in good standing.

Box 4.2 Implementing KPCS In-Country

The main elements of the Kimberley Process at the national level are the establishment of relevant laws, regulations and internal controls to meet the minimum requirements. An import/export authority must also be designated to officiate KP certificates and ensure that diamonds are transported in secure and tamper resistant containers, and lastly production, import and export statistics data must be submitted. The KP also works under a principle of cooperation and transparency between participants (KPCS, 2003).

Thus, this examination of the KPCS will take place in both these jurisdictions to reflect the way that the process has been organized. Along with an examination of the global governance, a national case study of the Sierra Leonean context will try to show how post-conflict countries are implementing the KP, and perhaps use it as a spring board for development.

4.1 Multi-Stakeholder and Multi-Tiered Governance

The Kimberley Process has moved beyond usual processes of international trade policy negotiations towards a multi-stakeholder governance structure. Traditionally, trade has been negotiated between national governments[31] and industry and civil society have had to find alternative ways of influencing these international processes.

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[31] For instance, see the structure and negotiation of the World Trade Organisation (WTO), the North American Free Trade Agreement (NAFTA), and the Free Trade Areas of the Americas (FTAA)

Through its tripartite structure, the Kimberley Process has gone a long way toward recognizing the role that civil society and industry must play, in order for the regime to be implemented successfully. Although civil society and industry are only observer members in the process, they are able to participate in the annual plenary and inter-sessional meetings, to participate (and lead) some working groups. Key actors from these sectors have also been given full access to KPCS documentation, statistics and monitoring reports[32]. This level of transparency (or at least reduced opacity) of international trade negotiation processes is one of the most important innovations of the KPCS.

> **Box 4.3 Global Configuration of the Kimberley Process**
>
> On an annual rotational basis, the KP is chaired by national member states. The Chair is responsible for coordinating communication within and outside the KP process. Their duties also extend to hosting the annual plenary and intersession meetings, as well as maintaining the website. The chair also works closely with the working groups to ensure compliance of members.
>
> The Working Groups (WG) of the Kimberley Process is the arena where most of the capacity building and implementation for the process occurs.
>
> Currently, there are WGs that coordinate Monitoring, Diamond Experts*, Statistics and Artisanal/Alluvial Producers. Committees have also been established to manage Rules and Procedures, Participation, Selection of Leadership and Technical Assistance.
>
> Membership to these working groups and committees depends on the willingness to participate (Interview with Stephan Chardon, August 7th 2008). They are open to member states, industry and civil society.
>
> The Working Groups house a substantial proportion of the institutional memory of the KP because their leadership does not have a fixed term – unlike the secretariat which rotates on an annual basis. In the future, it may be prudent for the KP to develop a formal process to pass along leadership of the WGs to ensure their longevity of these institutions.
>
> *Diamond expert WGs develop methodologies to increase capacity to value and track diamonds.

The institutionalization of multi-stakeholder participation is a significant advancement of governance for globalized trade networks. The Kimberley Process, however, still faces inequalities because participation in the Process is completely self-financed. This means that, if CSOs (and even some countries) do not have the funds needed to defray their participation, they must either raise these, or be less active. To date, this challenge has tended to be solved by developed countries financing developing country delegations (Interview with Stephan Chardon, August 7 2008), and global CSOs financing the participation of national organisations (Interview with Ian Smillie, Jan 23 2008; interview with Abu Brima, Sept 16 2008).

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[32] While the KPCS does release some statistical and monitoring data of member participants, a substantial amount of the data needed to effectively implement the process can only be accessed by member countries and certain civil society and industry organisations.

Civil society is taking the lead in addressing this design challenge. They are calling for the establishment of a sustainable source of finance that can be used by developing world NGOs to participate in the meetings, monitoring visits and the training sessions. Consequently, a coalition of CSOs held a meeting that coincided with the Brussels Plenary in 2007 to address the issue of meaningful civil society participation within the global and national processes. From these discussions, a civil society participation fund is being set up as a longer term solution to this problem – and a few national governments and industry members have agreed to contribute to it. Nevertheless, this extra finance does not reduce a donor/recipient relationship nor does it restructure financial or other resource inequalities within the process. For this reason, civil society continues to call upon the KPCS to develop internal financing mechanisms for participation (Interview with Anneke Galama, June 11 2008)

The participation of some countries in the Kimberley Process also reflects inequalities similar to those faced by civil society vis-à-vis other stakeholders. A central element of this is the dichotomy between choice to participate and capacity to participate. For instance, West and Central African countries producing alluvial diamonds did not have a choice but to participate in the Kimberley Process[33] if they wanted to access international markets (Interview with Abu Brima, Sept 16 2008; interview with Usman Boie-Kamara, Sept 18 2008). Yet, the extent to which these same countries can engage in the Process is limited by their financial capacities. As one's participation depends on one's ability to finance it, poorer countries may choose to participate in the Plenary only and not in the Inter-sessional (as in the Sierra Leonean case until 2008) or else, refrain from joining the working groups because it will strain their resources.

To date, the countries that dominate the production, cutting, polishing and retailing of diamonds [34] have been key leaders in the Process. These are the countries that have a substantial stake in reducing reputational risk to the global diamond industry. Among other things, they have taken the responsibility to chair the Process, they have volunteered to build capacity within the working groups and they have contributed technical assistance to developing countries[35] (USA, 2008; Interview with Stephane Chardon August 7 2008; interview with Charles Arnott, August 8 2008)

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[33] Angola and Sierra Leone even had a certification system that predated the KPCS so that they could access international markets.

[34] In 2003 South Africa was the first chair of the KPCS, followed by Canada (2004), the Russian Federation (2005), Botswana (2006), the European Commission (2007), India (2008). Forthcoming chairs are Namibia (2009) and Israel (2010). The current chair of the KP is the member who held the position of vice-chair in the previous year.

[35] The European Commission has developed the KP website and chairs the Monitoring Working Group, the Canadians chair the Statistics Working Group and have provided technical assistance and training to participants, and the USA has coordinated technical assistance to alluvial producer countries. The USA will also take over the Statistics Working Group in 2009.

While the efforts of these countries have been instrumental to incubate the Process, a voluntary and ad-hoc culture is unlikely to be sustainable in the future[36]. Developed countries actively leading the Process may become less inclined to continue investing in the Process as much as they have so far, as they perceive the reputational risks to the diamond industry to decline. On the other hand, it will remain in the interest of the target countries to continue to benefit from the transparency, conflict mitigation processes, and association to an international regime of the kind offered by the KPCS. Therefore, these countries need to build up capabilities and take an active leadership in the Process, so that they can make it a long-term mechanism to support their development.

The 2005 Moscow declaration reiterated this point and called for participants and donors to provide appropriate technical assistance to alluvial diamond mining countries (KPCS, 2005). While this assistance has mainly been targeted at enabling alluvial and artisanal mining countries to implement the national internal controls, it may also be pertinent to build up their capacity to be more active in the management of Process. The institutionalization of the Working Group on Alluvial and Artisanal Production (WGAAP)[37] is one forum where target countries inform the KPCS agenda.

The WGAAP is composed of all the artisanal and alluvial producers in the KP and others (see Box 4.4). It is able to identify specific priority areas and inform the broader KPCS participants. Articulated in the Moscow declaration, the then sub-group on artisanal and alluvial producers compiled several recommendations that countries should implement. These included some for regional coordination and areas for assistance from other KP participants and donors (KPCS, 2005).

Regional coordination has focused upon tax policy to lessen the incentives of smuggling, and sharing information about trafficking routes and clandestine networks to support regional policing (KPCS, 2005). In line with this strategy, the Manu River Union countries of West Africa have currently harmonized their royalty rate at 3%. However, these countries generally agree that the royalty

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[36] While interviewing respondents for this study, the research uncovered different perspectives with regard to the longevity of the Kimberley Process. Some respondents felt that the KP had a very finite time line – and cited the Fve-year (renewable) waiver granted by the World Trade Organisation. While there was no clear consensus on the likely duration of the KP, it is important to note that no respondent from the South saw the KP as a short term solution. Southern respondents saw participation in the KP as a way to legitimize their broader development goals with the affirmation of this global process.

[37] The WGAAP developed out of a sub-group for artisanal and alluvial countries that was coordinated by the Working Group on Monitoring. The sub-group was instituted at the Ottawa Plenary (2004) and the WGAAP was formally established in November 2007.

must be increased to 4% and they are in talks to coordinate this hike[38] (Interview with Usman Boie Kamara, Sept 18 2008).

Although the KP appears to have increased communication and coordination amongst West African member countries, in Latin America regional coordination has had less success. With only three countries (Brazil, Guyana and Venezuela) participating in the KPCS, there has not been extensive harmonisation regionally, especially since in mid-2008 Venezuela suspended itself from the Process for approximately two years, that is, until it can achieve the minimum requirements of the KPCS.

Box 4.4 WGAAP Composition	
Chair	Angola
Vice Chair	South Africa
Regional Coordinators	Brazil (Latin America), Sierra Leone (West Africa), DRC (Central and Southern Africa)
Members and Observers	Angola, Brazil, the Democratic Republic of Congo, the Central African Republic, Guinea, Ghana, Guyana, Namibia, Sierra Leone, South Africa, Tanzania, Togo, Zimbabwe, Liberia (*Venezuela*), (*Côte d´Ivoire*), the Russian Federation, the European Community, Partnership Africa Canada and Global Witness.

With regard to donor contributions, the WGAAP suggested that a functional cadastre system[39] is key to effectively regulating artisanal diamond mining. The group also encouraged 'relevant assistance' to be provided by donors to establish a cadastre system to increase the capacity of countries to monitor the KPCS (KPCS, 2005). In Sierra Leone, a cadastre has been in development since 2006 with the support from UK Department for International Development (DFID) and the United Nations Development Programme (UNDP). The development of the cadastre falls under DFID's Diamond Sector Program. DFID acknowledges that a working cadastre would increase the efficiency to regulate the sector by providing basic geological information to support the licensing system, transparency of government revenues and resolve disputes over ownership of mining rights (Stringer, 2008: 4).

However, as of October 2008, Sierra Leone's cadastre was only partially operational while the contracts of the international consultants that developed the system were not renewed (Interview with Mariata Flee, Sept 18 2008). Most concerning is that there is no clear information about when the cadastre will be completed, or who was coordinating this process (either at the Department of Geological Surveys, the Ministry of Mineral Resources, or the Development

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[38]For instance: the November 2008 Manu River Union meeting, attended by KPCS members from Sierra Leone, Guinea, Liberia, and Ivory Coast. CSOs also attended the meetings and are beginning to organise at a regional level.

[39] The cadastre is a layered information management system that works to support regulation, licensing and tax collection within the mining sector. The cadastre is made up of a Geographic Information System (GIS) database and a database of mining licences. The cadastre is a potential monitoring, dispute resolution, and anti-corruption tool. (Interview with Alpha Turray, Sept 23 2008).

Assistance Coordination Office). This example has been presented to highlight how the Kimberley Process is able to make recommendations with clear bilateral policy implications for donors and recipient countries. However, when there are challenges at this bilateral level there is no clear path for the dialogue to return to the KP's intergovernmental arena for greater deliberation, political will building, and/or alternative strategy development.

A second example that relates to monitoring the KPCS was highlighted by respondents at the Gold and Diamond Office (GDO) in Freetown. The valuation officer in charge of reporting export statistics to the KPCS complained that he had "never seen the report of the review visit to Sierra Leone and he had been asked to prepare for the second round" (Interview with Mohammed Bah, Sept 29 2008). A search of the KP public website also revealed that there is no summary report of the Sierra Leonean review visit. Additionally, concern was raised that there has been no effort to communicate with other national stakeholders on the findings of the KP review. Several stakeholders expressed the opinion that 'review teams should be accountable to the country by, for example, presenting their findings in an open forum in the country'. By doing this, it has the "potential to help the country and help the review team" (Interview with Abu Brima, Sept 16 2008).

While the cadastre system and review visit examples illustrate different circumstances managed by different working groups[40], they both point to insufficient information management systems between national and international KPCS processes. This may be due to the Process not publically releasing all the information that it gathers – thus, it becomes the responsibility of the national KPCS coordinator to disseminate information within the country. This is further exacerbated because the tripartite and participatory structure of the KP is not always replicated at the national level, due to a lack of capacity and/or, perhaps, of political will to be inclusive at the national level.

The next section discusses the broader implementation of the KPCS at a national level. Sierra Leone is one of the KPCS target countries and a founding member of the Process. It has made significant progress towards formalizing and regulating its diamond trade. Since the end of its civil war, its official diamond exports have jumped from about $10 million in 2000 to over $141 million in 2007 (GDO, 2008). While Sierra Leone is undoubtedly better off than during the years of civil war, this study will show that there is still a substantial potential to be tapped for diamonds to become an integral part of the country's developmental strategy.

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[40] The example of the cadastre system was recommended by the Working Group for Alluvial and Artisanal Producers. The Working Group on Monitoring is responsible for coordinating review visits to member countries.

4.2 Sierra Leone's Implementation of the KPCS

A view that was repeatedly expressed throughout Sierra Leone was that the KPCS needs to be conceptualized as an evolving process. The greater level of transparency, accountability and international cooperation that Kimberley encourages must also be combined with increasing economic prosperity and social development in local diamond producing communities – which would thereby increase national security, and translate into better international security.

In Sierra Leone, the Ministry of Mineral Resources and the Gold and Diamond Office are the two agencies primarily responsible for the implementation of the Kimberley Process. The Law Reform

> **Box 4.5 Diamonds in Sierra Leone**
>
> Diamonds were discovered in Sierra Leone in the 1930s during British colonial rule. Civil war only erupted in the early 1990s, fuelled by high levels of corruption, inequality and mismanagement of the country's wealth (Campbell, 2002; Reno, 1995). When the Revolutionary United Front (RUF) mobilized in 1992, in an attempt to redress these inequalities, initially there was popular support for them. However, given the terror tactics used by the movement and subsequent human suffering, the RUF were not viewed as freedom fighters for long; still, they maintained their strength through the control of many of the nation's diamond mines (Grant and Taylor, 2004:387, Campbell 2002:71). During 1992-1998 it is estimated that the RUF pocketed between $25 million and $125 million per year from the sale of rough diamonds – crucial to their war effort during which over six million people were displaced (Campbell, 2002:xxii).

Commission has also been tasked with developing the necessary legislation to fulfill Kimberley obligations (Kamara, 2008). The Gold and Diamond Office (GDO) has been designated as the exporting authority responsible for valuing diamond exports, collecting royalties, issuing KP certificates, ensuring that diamonds are exported in tamper proof containers, and reporting export statistics to the KP statistics working group. That is, the GDO is primarily responsible for fulfilling sections II and III of the KP minimum requirements. The Ministry of Mineral Resources (MMR)[41] takes the lead on implementation of the internal controls, or Section IV of the KP. The MMR's responsibilities include regulating the production, monitoring and marketing of the domestic diamond production-supply chain. The GDO and the MMR share the responsibility for co-operation and transparency outlined in Section V of the Kimberley Process, with the GDO primarily reporting export statistics and the MMR capturing information about production and license holders.

Thus, the MMR issues the licences and the GDO has to ensure that only licensed exporters and their agents take diamonds out of the country. Within this current system, concern has been raised that there is not a systematic way for information to flow between the two agencies (Interview with Mohammed Bah, Sept 29 2008). To illustrate, the GDO does not have access to the database of

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[41] The MMR is constituted of the Mines Department, and the Geological Surveys Division

export licences granted by the MMR. This means that they are not able to monitor activity on, or validate the legitimacy of the licenses that pass through their offices.

One of the biggest obstacles to effective communication appears to be that the GDO and MMR are situated in two very distinct parts of the government[42]. In an effort to address this problem, the GDO will shortly be relocated under the MMR in order for the two agencies to be in closer administrative proximity (Ibid). The restructuring represents dynamism within the Sierra Leonean implementation of the KPCS and should be seen as a positive step towards developing better processes for information management.

As previously mentioned, the GDO is responsible for producing accurate export statistics, which they are obliged to report to the global KPCS. The MMR on the other hand is responsible for production statistics which it also reports to the statistics database of the KPCS. In 2007, the KPCS Stats working group noted that Sierra Leone's capacity to generate statistics on exports was greater than its ability to record production (GDO, 2007). The primary reason for this is that all export statistics are collected when legitimately exported diamonds pass through the GDO offices for valuation, tamper proof sealing and authorization on their way to international markets (Interview with Mrs. Sawyer, Sept 19 2008). This systemized process makes them fairly easy to record and report. On the other hand, production statistics have to be collected on the ground, through the monitoring of the mines, licence holders, dealers and other stakeholders in the diamond production-supply chain. This is very difficult since the marketing of diamonds in Sierra Leone is quite complicated and opaque (PAC and NMJD, 2006).

In 2006, Levin and Gbrie undertook a study on "Diamond Marketing and Pricing in Sierra Leone" which aimed to shed light on the internal production-supply chain by cataloguing the various routes that artisanal diamonds travelled within the domestic market. Small-scale and artisanal production (using rudimentary tools, equipment and unskilled labour) accounts for more than 60 percent of all diamonds mined in Sierra Leone. Levin and Gbrie's study identified the five major types of artisanal production[43] and delved into the different types of financing

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[42] Currently, the Gold and Diamond Office operates under the authority of the National Revenue Authority (NRA), the agency responsible for collecting taxes and royalties. Although collecting royalties is one of the functions of the GDO (and the reason that it was initially placed under the NRA) the office will soon become part of the Ministry of Mineral Resources.

[43] Artisanal production can be arranged through a system of wage labour, tributor, bucket and pile, gado and overkicking and cooperative mining. For a more detailed analysis, please see Levin and Gbrie, 2006.

The dominant type of artisanal production in Sierra Leone happens through the Tributor System, where supporters provide the tools, equipment, and licenses for production. Supporters may also provide a small daily subsistence wage, accommodation healthcare costs and death benefits depending on the agreement that they have with the diggers. When diamonds are found, the supporter, license holder and diggers share the winnings depending on a predetermined share structure. An common breakdown may be that the

(formal and informal), and actors that are involved in this chain. Needless to say, this study revealed that the marketing of diamonds is very complex in Sierra Leone. Individuals take on multiple roles (both dealers and supporters), illegal and legal channels are highly intertwined, and both the systems of licensing and revenue collection are complex. In fact, the study illustrates how the current configuration makes it very difficult for Sierra Leone to accurately and effectively track diamonds – as required by the KPCS.

Yet, the benchmarks for internal control and reporting that underlie the KPCS have enabled Sierra Leone to recognise the areas where they lack capacity to fully implement Kimberley. In this way, participation in the KPCS has created the necessary policy space to address broader issues (Interview with Abu Brima, Sept 16 2008). The KPCS has been a launching pad for developing new laws, increasing monitoring capacity, collecting geological information and generally formalizing the sector (Interview with Usman Boie Kamara, Sept 18 2008). In fact, the government has acknowledged that "the newly developed Kimberley Process protocols for the trading and exporting of rough diamonds have necessitated the drafting of a (Consolidated) Act to give legal efficacy to the Kimberley Process requirement" (LRC, 2007:3). The next section will look at some of the instruments that have been used to build national capacity to regulate the mining sector.

Box 4.6 Sierra Leones Mineral Sector Strategy

At a July 2008 workshop organized at the State House, the President, Ernest Bai Koroma, reiterated that "in order to realize the sector's potential and for the Government and the people of Sierra Leone to derive greater benefits from its mineral wealth, more needs to be done to address the constraints facing the sector's growth and management"

These constraints include:
- legislation that is out of date and poorly structured;
- lack of geological information to attract investment;
- Inadequate infrastructure;
- inadequate assessment and collection of revenues;
- inadequate management of environmental matters,
- poor community governance structures;
- lack of capacity in institutions tasked with managing the sector;
- ineffective monitoring mechanisms;
- inconsistent and non-transparent licensing and transfer of licences.

Priority reform areas identified include:
- review of mineral rights and appropriate actions taken;
- restructuring and building capacity of the Ministry of Mineral Resources;
- developing appropriate legislation and regulations;
- assisting communities to improve their governance structures;
- assessing and collecting revenues from taxes and fees to maximize financial returns; Processing more effective allocation of mineral sector revenue to mining communities; developing an infrastructure policy   (MMR, 2008).

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supporter keeps 40%, licence holder 30% and diggers (up to 50 people) share the last 30% (Levin and Gbrie, 2006:7, Interview with Patrick Tongu, Sept 10 2008)

4.3 Developing National Capacity for the KPCS

Legislation

In 2004, the Government of Sierra Leone established a set of principles that would guide the development of their mineral policy reform[44]. Currently the mineral sector operates under the 1996 Mines and Minerals Act. However, this Act is being reformed, in light of several shortcomings in the present body of legislation. [45] One inconsistency has been the enactment of the "Diamond Cutting and Polishing Act of 2007", while the Consolidated Mines and Minerals Bill of 2007 has not yet been ratified. The first law relates to value-adding processing of diamonds (which Sierra Leone does not currently do), while the second and more pertinent law seeks to regulate the extraction of mineral resources.

Pertinently, a consultative process has been lead by the Law Reform Commission of Sierra Leone to update the 1996 law with a Consolidated Act[46]. Working papers were commissioned from civil society, local governments, chieftaincies, government departments, international industry, and donors. These key stakeholders have underscored the need for this law to clarify the licensing and revenue collection structure, subsoil and prospecting rights, labour and community relations and the environment. As of March 2009, the 2007 bill was still stalled before Parliament because of a change in government.

The recently elected All Peoples Congress led by Ernest Bai Koroma assumed office in September of 2007, and has decided to hold off implementing the Consolidated Mines Act until there has been a review of mining contracts (similar to the ones carried out in other resource rich African countries such as Nigeria and Angola). While this should be interpreted as a positive move, Sierra Leonean government policy appears to be rather ambiguous. This is because a complementary initiative, the Extractive Industry Transparency Initiative (EITI), that also seeks to publish and make payments transparent, between corporations and governments, has been put on the back-burner according to civil society

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[44] Principles included: clear and unambiguous laws and regulations, a fair and competitive trading environment, improved job and investment opportunities, increase the skill and knowledge of the workforce and finally to improve the security and protection of investors, the workforce and the environment (Ketlaar, 2005:5)

[45] As described by the Law Reform Commission of Sierra Leone in the Mines and Minerals Project Report of 2007, shortcomings include "the impact on health and the environment of mining in Sierra Leone; the Role of Chiefs and other authorities in the granting on concessions; industrial relations in the mining sector; the marketing of Alluvial Diamonds; and the need for legislation to give legal effect to the Kimberley process in Sierra Leone" (LRC, 2007:6).

[46] With regard to the KPCS legislation, that is encapsulated within the Consolidated Mines and Minerals Bill 2007, the Law Reform Commission "was greatly assisted by studying the Clean Diamond Act (USA) and the equivalent Canadian Provisions" (LRC, 2007: 6).

respondents (Interview with Alfred Carew, Sept 11; Abu Brima, Sept 16; Theophilus Gbenda, Sept 19 2008).

As previously stated, a major impetus for Sierra Leone to develop the Consolidated Act has been the KPCS. This re-visiting of the policy framework has been an opportunity to go beyond Kimberley and towards development. However, since the Act has not been passed, Sierra Leone is still operating under an out of date legal framework[47]. Nevertheless, even within the less stringent 1996 framework, the government lacks capacity on the ground to appropriately monitor and regulate the sector.

Monitoring

The Ministry of Mineral Resources is responsible for monitoring the production and marketing of the diamond supply chain. As described by the Director of Mines, several challenges that hinder comprehensive monitoring include a lack of physical resources, technical ability of monitoring officers, geological information and a need to reform public sector wages to combat corruption (Interview with Usman Boie Kamara, Sept 18 2008).

Further investigation in the Kono district revealed that Mines Monitoring Officers (MMOs) lack the most basic tools to do their jobs, such as funds for transportation to the mines or for field accommodation (these two reasons were given by all the MMOs interviewed). There is also some circumstantial evidence that mine owners and managers provide MMOs with transport, food, and accommodation; in some instances they even subsidize their wages (MMOs make less than $100 USD/month) at the end of the month (Interview with Mohammed Turray, Sept 10; Alfred Carew, Sept 11, Kassim Bassma, Sept 24 2008).

As this type of situation reduces the credibility of monitoring efforts there is a Public Sector Reform Program underway to look at the pay scales and minimum competencies of all public employees. While reform of the public sector is still a couple of years away (Interview with Edward Kamara, Sept 30 2008), several steps have been taken to increase capacity. For instance, through USAID's Integrated Diamond Management Project, MMOs were provided with motorcycles, radios and two weeks of training, among other things, to enable them to do their jobs. MMOs reported that this program provided them with a sense of purpose and professionalism during the USAID program evaluation (Tutusaus et al, 2007: 17). Questionnaires administered during this research also validated this finding, with most of the MMOs referring to USAID's support. The USAID evaluation also concluded that "if the program had followed up with these

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[47] Sierra Leone fast tracked a Bill entitled the "Export and Import of Rough Diamonds Act 2006" to put itself in line with KP requirements, this while its Consolidated Act is still before Parliament (LRC, 2007: 4).

MMOs (and with training to other MMR officials in the field) this could have made a significant difference in the management of the sector at the local levels" (Ibid).

Currently, MMOs receive a short training course (about 2 weeks) when they begin their jobs, then intermittent training once in their district. The Ministry recognizes that this training is not sufficient, and it is an issue which they are trying to address (Interview with Usman Boie Kamara, Sept 18 2008). Unfortunately, it is difficult to recruit a higher and more qualified calibre of professionals because Sierra Leone does not have any training facilities. Thus, the Ministry is collaborating with the University of Antakwa in Ghana to train mining engineers, which will likely begin in the forthcoming academic year. They are also in the process of organizing funding for this capacity building from the European Union (Ibid).

The completion of the cadastre system, previously described, will also greatly support the MMO's work by giving them the tools to accurately monitor the sector. The cadastre records land ownership, maps geological information, GPS coordinates and type of production. To highlight the potential of the cadastre, the 2008 dispute between London Mining and African Minerals (two industrial diamond mining companies) over ownership of mine tailings was solved using the cadastres database (Interview with Marieta Flee, Sept 18 2008)[48]. Indeed, the cadastre adds immense prospects for information management in Sierra Leone if the software can be completed, the data fed into the database can be accurate and the necessary personnel can be taught how to use and access it.

Lastly, it is nearly impossible for MMOs, skilled or unskilled, to monitor unorganized mining operations (Interview with Patrick Tongu, Sept 10; Moses Gbondo, Sept 13 and Abu Brima, Sept 16 2008). Currently, the extent of MMO's work is to check that there is a valid license for the plot being mined and record production statistics[49]. Yet, in order for monitoring to be robust, the miners must get organized. This may be through unions, cooperatives or local authorities; unregistered and therefore illegal miners (or gados as they are locally known) must also be brought into the formal system.

Respondents in this study repeatedly emphasized that formalization of this sector was necessary to fully implement the KPCS. They also noted that implementing the KPCS was only the first step towards socioeconomic development of the mining sector – which was a priority for all respondents interviewed at the local and national level. A similar theme also emerged from the Diamond Development

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[48] London Mining and African Minerals are two large scale diamond mining companies. The information for large scale mining is kept on the cadastre database in Freetown. Out of the four planned databases, the Freetown database that stores information about large scale operations is the closest to being completed.

[49] Anecdotal evidence suggests that there are two sets of accounts kept by licence holders (Mohammed Turray, Bockarie Kamara). The first are the 'official' accounts that are shown to the monitoring officers and the second are records of actual production data.

Initiative (2008) study that developed Standards and Guidelines for governments, investors, civil society and donors. Based on a national consultation in Sierra Leone the research found that, in order to prevent the threat of future conflict, development programs aimed at mining communities are needed that will develop local infrastructure, health, education and other social services (DDI, 2008).

4.4 Formalisation Strategies: Advocacy, Training and Incentives

The following section will highlight current strategies for formalising the artisanal diamond marketing chain in Sierra Leone. These examples were gathered from civil society, governmental, and donor representatives in Sierra Leone. Although strategies are highly intertwined, they will be discussed in turn.

Civil Society

CSOs in Sierra Leone have been actively mobilizing the Sierra Leonean government and society since before the onset of the Kimberley Process. Since the late 1990s organizations in Sierra Leone have been working in coalition with national and international partners to address conflict diamonds[50].
After Kimberley was

> **Box 4.7 Multi-stakeholder Approach to Coordinate Learning**
>
> Civil Society facilitates dialogue between communities and government to facilitate knowledge sharing between these actors. The NMJD and United Mine Workers Union have invited Mines Monitoring Officers (MMO's) to training workshops with artisanal miners and license holders. These meetings provide an opportunity for MMOs to explain how licensing works, and their role and jurisdiction in this process.
>
> Currently, the licensing process is very bureaucratic (to be revised in the draft Consolidated Bill), which leads to miners working outside of the formal system.
>
> If miners have a better understanding of the benefits to formalisation, and they are given incentives to engage in formal processes, it will institutionalize the legitimate diamond marketing chain (Interview with Mohammed Turray, Sept 10 2008).

implemented, CSOs set their sights on more development oriented goals. Mr. Abu Brima, Director of the Network Movement for Justice and Development (NMJD), has reiterated that "while we value the KPCS, we do not see the KPCS as the answer to our problems, we believe in a broader agenda for the mining sector including transparency, corporate engagement, mining reform and more – KPCS is only but a part of our campaign" (Interview with Abu Brima, Sept 16 2008).

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[50] In 2000, the Partnership Africa Canada launches "The Heart of the Matter: Sierra Leone, Diamonds and Human Security." The report scrutinized the role of international governments and industry in the Sierra Leonean Civil War. The report was launched simultaneously in Freetown, Ottawa and Washington D.C. The Sierra Leonean launch was coordinated by the Network Movement for Justice and Development.

The NMJD and its Campaign for Just Mining[51] partners have sought to be a conduit between the local and national levels, and support the transfer of knowledge from miners to national policy makers and vice-versa[52]. Their programs have been developed to organise and train different segments within mining communities (including those involved in or affected by mining, such as women and youth) on the mining laws, licensing processes and fees, and their rights as citizens (Interview with Patrick Tongu, Sept 10 2008). The aim is to create awareness, momentum and mobilization at the community level to give legitimacy to civil society campaigning at the national level, as well as assist communities to demand their rights. Their strategy is that "civil society should not be the only ones to shout – it is important for community voices to also be heard" (Interview with Abu Brima, Sept 16 2008) Thus, NMJD has set up local task forces and platforms to facilitate community action.

Civil society is also increasing awareness and transparency about the mining industry in Sierra Leone. For instance, the Association of Journalists on Mining and Extractives (AJME) is coordinating and capacitating the national media on mining issues. Initially, the AJME was a project of the NMJD[53], then it became an independent organisation in 2005. The AJME is constituted by 45 members from electronic and print media from around the country. Their mandate is to use the media to raise the profile of the mining sector within the general public, attract government attention to pressing and outstanding issues, and engage in international advocacy through 'naming and shaming' exploitative practices of international multinationals[54] operating in Sierra Leone (Interview with Theophilus Gbenda, Sept 19 2008). Along with supporting members with publications in their

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[51] The NMJD houses the Campaign for Just Mining (CJM) was established in 2000 as a broad based coalition of Sierra Leonean and International Civil Society (NGOs, CBOs and Unions) that work in a concerted and collaborative effort towards social, environmental, human rights and equity issues in mining. The CJM secretariat is housed at the NMJD. The Campaign is currently not an autonomous organisation and works under the legal status of the NMJD who coordinate its funding and activities.

[52] The NMJD is headquartered in Freetown, however it has fully staffed offices in each of the four regions of Sierra Leone. Their Mining and Extractives and Governance programs are particularly focused on mining issues. Furthermore, the NMJD has developed a comprehensive reporting and knowledge management strategy that seeks to institutionalize how information is recorded and shared (Interview with Sallieu Kamara, Sept 9 2008) with the intention that the NMJD can strengthen its abilities as a learning organisation.

[53] The NMJD has held training sessions for journalists from the AJME on issues such as mining laws, KPCS, artisanal mining, child mining, concessions and contracts between multinationals and the Government of Sierra Leone, and the role of international financial institutions.

[54] Koidu Holdings, a subsidiary of the Israeli owned multinational the Steinmetz Diamond Group, has been at the centre of a controversy surrounding the forced relocation of 284 households into inadequate living conditions without due consultation (NMJD, 2004:online). The controversy escalated in 2007 when two people protesting Koidu's practices were shot by local police (Manson, 2007:online). This has led to the suspension of Koidu's mining licence. Furthermore, media coverage of this incident prompted a journalist from Israel to visit Sierra Leone and work with the AJME to collect information for Israeli and other international media (Interview with Theophilus Gbenda, Sept 19 2008).

own news media, the AJME also will be publishing a quarterly newsletter for distribution to Sierra Leonean stakeholders and international actors through a web-based platform.

Government

One effort by the national government to formalise artisanal miners is the Diamond Area Community Development Fund (DACDF). The DACDF seeks to create incentives for miners to use the legal production-supply chain. The DACDF works by channelling ¼ of the 3% royalty collected at export back to mining communities, as a percentage of their reported production. It uses increased revenue for development to encourage localized monitoring and surveillance systems. Moreover, it promotes the registration of mining operations by community members and local authorities by providing a carrot rather than a stick approach to monitoring.

The DACDF was initially proposed by a coalition of civil society, the DACDF Coalition[55], which was established with USAID support (Interview with Alfred Carew, Sept 11 and Abdulaai Jalloh, Sept 25 2008). While civil society was involved in the conceptualisation of the initiative, the government has not engaged them in its formal implementation. However, civil society has continued to work towards DACDF objectives by sensitizing communities about how they can contribute to decision making of the Fund, as well as producing progress reports of the initiative (Interview with Abu Brima, Sept 16 2008). For instance, the coalition developed a "grading system for chiefdoms on the use of the funds, and their active community sensitization programs encouraged community members, including women, to question traditional leaders about the use of the funds and their prioritization" (Tutusaus et al, 2007:16).

The Fund has had some successes in registering licences; however, it has struggled to find a way for mining communities to manage Fund money in a transparent way[56] (Interview with Mohammed Turray, Sept 10 and Usman Boie Kamara, Sept 18 2008). Currently, the government is experimenting with different ways to build community governance of the Fund. This includes organizing

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[55] The DACD coalition has now broadened its agenda and now operates as the National Advocacy Coalition on the Extractives (NACE). A current priority for NACE is to work towards Sierra Leone's compliance of the Extractive Industry Transparency Initiative, and they are coordinating with the international "Publish What You Pay" civil society coalition (Interview with Alfred Carew, Sept 11 2008).

[56] Money from the DACDF was initially channelled via the Chieftaincy back to the communities. However, decision making about how to spend the money on community development was not made in an open or participatory system – and some even regarded it as a form of patronage between the national government and local chieftaincy structures. The disbursements of the DACDF were halted in order to develop a system to manage the money. Earlier this year the Fund resumed, although now it is managed by the local councils who have a greater incentive to use the Fund for tangible development that meets the communities' needs. This is because the local government are elected officials, unlike the Paramount Chiefs who have a lifetime appointment (Interview with Mohammed Turray, Sept 10 2008).

workshops to teach chiefs and local government officials about processes for decision making and legitimately spending the money. The MMR is also considering a formal process to call for proposals; whereby communities would apply for money to support projects that are developed in a participatory manner and have built-in evaluation and monitoring mechanisms (Interview with Usman Boie Kamara, Sept 18 2008). If the Fund can be managed properly, it has the potential for mining communities to reap more social and economic benefits from mining through: (a) increased social expenditure; (b) a greater use of legal and traceable channels - therefore increasing compliance with Kimberley; and (c) stronger local governance structures - by empowering communities to negotiate and implement development priorities.

Donors

A recurrent theme that was uncovered by this research is the demand for practical skills by artisanal miners. One prominent initiative that used skills development as part of their formalisation strategy was a United States Agency for International Development (USAID) project, the Peace Diamond Alliance (PDA). The PDA ran during 2005 – 2007. This was the third phase[57] of USAID's engagement in the Sierra Leonean mining sector, which began in 1999. Initially, the objective of USAID's intervention was to bring Sierra Leone in compliance with the KPCS through peace-building programs. Later on, through the PDA, the USA also supported the formation of cooperatives in the Kono and Tongo Fields district, in order to organise miners.

One technique that the PDA used to encourage participation by miners was to impart them training in small stone valuating methods, as well as in land reclamation techniques (Interview with Abdullai Jalloh, Sept 25 2008). Approximately 600 people received training (10% women) in 2007 through such PDA projects (Tutusaus et al, 2007: vii). One miner who had taken part in the PDA, interviewed for this research, said that he benefited from training in categorization of diamonds in terms of colour clarity, percentage, carat-age and price (Interview with Daniel Strong, Sept 16 2008). Also, of the five diggers interviewed for this study, he was the one who had the most comprehensive knowledge about the diamond licensing process and the only one who knew that Sierra Leone participated in a global process to track diamonds in order to prevent conflict[58].

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[57] During 1999 – 2004 USAID operated in the diamond sector under the Diamond Policy and Management Project (DIPAM) and focused upon peace-building policies in the diamond sector (Interview with Abdulaai Jalloh, Sept 25 2008). The second phase, the Integrated Diamond Management Program (2004 – 2007) strived to "bring diamond mining and marketing into the formal sector (and) increase government revenues through taxes and licenses while reducing security threats from diamond smuggling" through national and local engagement (MSI, 2005:2).

[58] Five diamond diggers were interviewed in the Kono district between September 14 and 20, 2008. Three of the five people interviewed had knowledge about reforms in the diamond regulations. One respondent had participated in the PDA and was significantly more knowledgeable than the others. Furthermore, this

Although the PDA was discontinued[59], reports indicate that some of its major successes included imparting practical skills and training artisanal miners about their rights. This two-fold strategy provided the necessary incentives for miners to want to participate in development programs because they could see that they would receive tangible returns (such as more money or services) from doing so. In lieu of the PDA, several government and civil society representatives referred to a need to continue developing miners' skills, as an effective strategy for formalising their activities and bringing them into the legitimate diamond production-supply chain.

Unfortunately, the

> **Box 4.8 SINAVA Women's Cooperative**
>
> SINAVA is a community based organisation and was a member of the USAID's PDA. SINAVA operates in Tongo Fields, one of the largest artisanal diamond mining areas of Sierra Leone. The women's cooperative is "using the revenue from mining activities to increase their own incomes and to invest more successfully in their agricultural and trade projects" (USAID, 2005: online). This has included reclaiming mined out land for the cultivation of rice, and establishing a micro-lending program to support alternative livelihoods for community members.
>
> In 2004, SINAVA identified priorities such as : (a) institutional capacity building by defining the roles of the Board of Directors; (b) identifying and implementing formal training programs on core skills; (c) establishing financial management systems; and (d) attracting and maintaining donor funding (MSI, 2004: 4). This final objective is especially pertinent since the PDA was discontinued by USAID in 2006.
>
> Margaret Momoh, SINAVA's President has said that "the PDA helped us to organize around diamond mining activities, which we've never done before. It has also helped up to stop illicit mining in the chiefdom." (USAID, 2005:online). SINAVA is a good example of how grassroots projects can help to reach KPCS and development objectives.

Government's NGO coordination office, which aims to spread development programs and encourage community and local government collaboration, reported that there are "very few NGOs concentrating specifically on the extractives" (Interview with Mr. Toure, Sept 12 2008). This is very worrying because donors, who in the past have supported 'on-the-ground' initiatives, now seem to be shying away from these types of programmes. For instance, the USAID mining strategy in Sierra Leone has shifted away from local programming and now only engages with national policy stakeholders (Interview with Abdullai Jalloh, Sept 25 2008). Representatives from USAID in Sierra Leone noted

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respondent reported that he was able to pass along skills gained in his training to some of his colleagues (Interview with Daniel Strong, Sept 17 2008).

[59] The PDA's support for artisanal diamond mining cooperatives only lasted one season. The project was cancelled because of the low returns on investment. Private investment to the project was of approximately $70 000 and had returns of under $5000. Some reasons for this low return were unviable land, lack of geological data, delayed financing, poor trust and lack of ownership amongst members and early rains (Levin and Turay, 2008). Nevertheless, this project did not prove the cooperative model as unviable, however future projects must integrate special attention to: "design, pacing, ownership, training, management, budget and evaluation" (Levin and Turay, 2008:4)

concern with this shift as they are aware that problems and threats in the mining communities still exist. However, they reported that all the money for mining projects in Sierra Leone had 'dried up' (Ibid).

Similarly, the UK's DFID, Sierra Leone's largest bilateral donor, also works to develop the potential of the diamond sector. DFID's Diamond Sector Program seeks to support the objectives of the KPCS as well as enable diamonds to be a conduit for development. Yet, their programming has never directly supported grassroots mining projects. Instead, they have channelled some support grassroots through civil society organisations active on the ground (Stringer, 2008).

For instance, the United Mine Workers Union (UMU) benefited from DFID support from 2004 to the end of 2008 (Interview with Abiosseh Morrison, Sept 11 2008). Since 2004, UMU has been informing and organising miners in an attempt to create a more contractual relationship between diggers and license holders. They have developed a document entitled "Terms and Conditions of Services of Work for Grass Roots Diggers" in this regard. The Union is using its position as an industrial relations intermediary to negotiate a minimum wage and benefits package for artisanal miners[60]. UMU does not currently charge artisanal diggers any union dues for this work because of the level of informality within the sector. As DFID funding is wrapping up, the Union is currently looking for alternative resources to continue this work, because they recognise that artisanal diggers need to be brought into a formal relationship with employers and with the state for Sierra Leone, in order to benefit from their diamonds (Ibid).

The two experiences highlighted above, USAID's support through the PDA and DFID's engagement with UMU, show that donor support is starting to fade for on-the-ground projects in the mining sector. Perhaps this is because the KPCS is now perceived to be functioning well and conflict in Sierra Leone has subsided. Pertinently, field research suggests that developing strategies to support the formalisation of artisanal miners is essential for an effective system to track diamonds. Without this type of organisation, administrative tools such as legislation, geological information or increased resources for monitoring are unlikely to substantially increase the incentives for artisanal miners to use formal channels - unless these prove to be more lucrative for miners.

As donors finance over 70% of Sierra Leone's national budget, this shift away from grassroots programming is likely to have significant repercussions for national government and civil society capacity to support formalisation through nationally led initiatives. As noted by the NGO coordination office, there is already a shortage of capacity building organisations working towards the

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[60] Currently, the UMU has not been able to negotiate a settlement with a majority of the artisanal and small-scale license holders. Generally, the Union proposes an average wage of about $100/month. The license-holders counter with about 40% less wages and benefits.

formalisation of artisanal miners. Thus, in order for the KPCS to achieve its mandate to eliminate conflict diamonds, it will remain important for donors to continue to engage in projects that support efforts to capacitate miners and communities - in tandem with the development of legislation to regulate and monitor the diamond sector.

Summing up, the Kimberley Process has attempted to institutionalize prevention of conflict diamonds by fostering international cooperation amongst countries, industry and civil society. Through annual meetings, permanent working groups, and through coordinating technical assistance to target countries, the KPCS is seeking to create a global process to trace diamonds from export to retail. Within the national study of Sierra Leone, it was apparent that diamond smuggling is still occurring[61]. Moreover, conflicts are also still ongoing in diamondiferous countries such as Côte d'Ivoire and Zimbabwe. This study has found that the potential for diamonds to be channelled towards conflict can only be mitigated if diamond diggers and other national production-supply actors perceive diamonds are traded equitably. It appears that socio-economic development is an important element for eliminating the widespread smuggling of diamonds – which will in turn raise national revenues, provide more resources for development and reinforce the prevention of conflict.

Supporting the formalisation of artisanal diamond mining may require the KPCS to find innovative ways to harness the strength that it has as an intergovernmental process to increase capability of national actors to manage grassroots initiatives. In this regard, it may be important for the KPCS to develop mechanisms that facilitate knowledge sharing beyond direct KPCS member participants and observers, and include stakeholders who seek to use the experience and policy environment that the KPCS offers for broader developmental objectives. It may also be beneficial for the KPCS to invest in developing the capacity of the target nations so that they can eventually take a leadership role in the process. The KPCS was instituted to support conflict-prone diamond producing countries, thus it is in their best interest to see that the process continues to innovate and remains a driver of development.

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[61] In the Kono district, seven government regulators including two Field Mines Monitoring Officers, three Senior Mines Monitoring Officers, a Government Mining Engineer and the Area Superintendant were interviewed for this research. Each of these officials reported that there continues to be smuggling of diamonds in Sierra Leone. There was a range of answers towards the severity of the smuggling; with most reporting that smuggling had declined since the onset of Kimberley. The main factors that they reported for contemporary smuggling were personal enrichment, smuggling by foreign nationals and porous borders with neighbouring countries.

Chapter 5

Conclusion

This study introduced the concept of ethical trade, artisanal and small scale mining, and production-supply chain governance as they relate to globalized commodity networks. The study incorporated two case studies, the Alliance for Responsible Mining, a non-governmental initiative and the intergovernmental Kimberley Process Certification Scheme. The research focused upon identifying the motivation for incorporating ethical considerations into these trade networks, the types of actors who have participated in these initiatives, and the structures that have been created in order for them to reach their objectives. Finally, the study has attempted to illustrate the extent to which these initiatives have been learning institutions. It has done this by examining the processes that have been put in place to effectively manage knowledge as a catalyst for innovation.

5.1 Knowledge Management and Learning Strategies

This examination identified some of the processes by which ARM's fair trade gold and KPCS conflict free diamond production-supply chains integrated knowledge and learning to reach their objectives. Initially, this paper conceptualized that knowledge is negotiated among different actors of the supply chain. For instance, at the sites of mineral extraction, in the domestic marketing and trading, at the value-adding, branding, and retailing stages. It also postulated that learning could be driven by global discourses, trends and research. Within the context of this research, publicity and consumer awareness about the sourcing of the natural resources, the articulation of corporate social responsibility best practices by industry, and the call for more representative governance in international trade have all played a part in the inception of these initiatives.

Indeed, the findings of this research do confirm that knowledge has many points of entry into the supply chain and that it takes a significant amount of coordination for this knowledge to be translated into learning for organisational strengthening. The study also observed that resources had to be strategically invested to facilitate this learning process. These findings coincide, to a large extent, with the contemporary literature on supply chain governance: they find a correlation between institutional capacity and the presence of a coordination body (Bitran et al 2006; Bitran et al 2007). The studies have found that progressive institutions are using specialized organisations to manage the "integration and coordination of materials, processes, information flows and multiple producers at each trading location" (Arroyo-Lopez and Bitran, 2008).

The study of ARM revealed that it has a very participatory model of governance that includes structures to support knowledge management and learning. Their strategy has included facilitating continuous learning along the supply chain by partnering producer with support organisations, developing toolkits, harnessing

professional and grassroots knowledge and supporting peer-learning amongst producer organisations.

To recap, the Alliance has actively collaborated with related initiatives including co-coordinating the RESPOMIN Latin American ASM knowledge network, participating in the events of the CASM Secretariat, and drawing upon the expertise of the ILO, Global Mercury Project and Ashoka. At the trading level, ARM is experimenting with ways to market its fair trade gold by establishing links with existing institutions such as the FairTrade Labelling Organisation and by creating a new social enterprise, The Ethical Bullion Company, that will provide further economic benefits for mining communities and become an instrument of ARM's organisational sustainability.

ARM's Secretariat has been an essential in this robust pursuit of knowledge – in coordinating the Board of Directors, Technical Committee, Stakeholder Alliance as well as external relationships, mentioned above. A significant challenge for the Alliance is expanding beyond Latin America into other regions. As the initiative has grown out of a small number of committed individuals working within a fairly integrated supply chain, regional expansion depends, to a great extent, on identifying individuals and groups with a similar amount of dedication to ARM's vision.

On the other hand, the KPCS and its tripartite governance has been a positive step towards a more inclusive structure of international trade. Discussions with several KPCS participants suggest that there are good channels of communication between insiders of the process. Nevertheless, this research suggests that effective implementation of the Kimberley Process requires active dissemination of the 'knowledge' generated by the KPCS so that it can become referential information for parallel initiatives working towards the formalisation of ASM. As this study revealed, reaching KPCS objectives requires more than developing an international process supported by national legislation – on the ground efforts to organise miners and create incentives for them to use legitimate channels to market their diamonds is also essential to eliminate the potential of diamonds to fund conflict.

Therefore, it is suggested that the KPCS uses the full scope of its mandate to support these broader development aims. This could: (a) include creating avenues for representative and meaningful participation of local civil society in the formal process; (b) provide in-depth and public accounts of the statistical and monitoring information that it collects; and (c) develop an official strategy to collect, distribute and manage the information generated by 78 countries trading approximately 40 billion dollars of rough diamonds annually (KPCS, 2007). This institutionalisation of a knowledge management strategy may require a permanent, centralized, and resourced platform. Optimistically, such investments may be possible because they would represent a progression of the

ethics of cooperation and transparency that has so far underpinned the KPCS project.

A first step may be to build the capacity for the KPCS to learn from its experiences to date. The 'Third Year Review' of the KPCS conducted in 2006 is one way that the process has tried to evaluate itself. Additionally, the Royal Institute for International Relations (EGMONT) has been commissioned by the Belgium Government to undertake a study on Artisanal Diamond Mining that will potentially feed into KPCS policy[62]. Some experiences highlighted by EGMONT include: the Peace Diamonds Alliance cooperative of Sierra Leone, Diamonds for Development (D4D) program in Liberia, Mbuji-Mayi initiatives in the DRC and Mwadui diamond mine in Tanzania (Bockstael, 2008).

Civil society is also calling for the KPCS to develop its research and monitoring capacity (PAC and GW, 2008: 1). Ultimately, it may be valuable for the KPCS to also go beyond commissioned research and develop 'in-house' capacity to be responsive to emerging themes, develop solution oriented strategies, be a reference point for national implementers and coordinate learning between KPCS stakeholders. If information is managed well, NGOs, bilateral and multilateral agencies promoting the formalisation of the artisanal diamond sector could learn from these grassroots initiatives to guide the development of future projects.

5.2 Innovations in International Trade

A final issue that must be addressed relates to the original assumptions of this research. From the outset, the researcher assumed that ARM and the KPCS were *both* engaging in ethical trade. This is because both initiatives are working towards governing their production-supply chains for ethical considerations, that is, they are trying to make claims about inherent qualities of production rather than the physical attributes of the product. Moreover, each initiative targets similar beneficiaries (artisanal and small-scale miners) and they are working on associated commodities (gold and diamonds). In effect, both initiatives are re-regulating the trade of a mineral resource in an attempt to reach an ethical objective.

Even so, throughout the data collection and interview process for this research it became apparent that, while ARM does constitute an ethical trade network, KPCS does not. The primary reason why ARM should be conceptualized as an ethical trading network is because stakeholders working within it have claimed ownership of this concept. They have aligned their model with the FairTrade movement which is grounded in ethical trading principles. Their vision includes marketing the product to ethical consumers - who are considered the drivers of

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[62] EGMONT presented initial findings from its study on ASM diamond mining at the 2008 KPCS Plenary in New Delhi, India.

the ethical trade movement -, and they are learning from, and collaborating with, other ethical trading initiatives in order to multiply their movement.

The KPCS, on the other hand, is not perceived as an ethical trade network by the civil society, industry or member countries that constitute it. Nevertheless, KPCS has innovated upon international trade norms by institutionalizing the participation of industry and civil society stakeholders. It has also successfully conceptualized international trade beyond liberalization strategies to include more qualitative and value based criteria, such as human security repercussions that can emerge from under-regulated international trade regimes[63].

Indeed, many ethical trading initiatives that currently are developing and implementing voluntary principles would regard an enforceable global governance of social, cultural, economic and environmental standards as their eventual goal. While the KPCS is a positive step towards adding values to international trade governance, its relatively narrow focus on 'conflict' does not encompass the full range of values within the contemporary ethical trading movement[64]. Yet, peace-building is a necessary requisite for more robust social and environmental objectives.

In addition, it has been noted that there are also inherent limitations of using ethical trading as a primary development strategy because the scope of ethical trade is usually limited to a specific commodity, supply chain or initiative (Barrientos, 2000). Although the ethical trading movement presents opportunities for redefining the relationship between markets and societies (Ibidem, p.564), it is important that market mechanisms be used in conjunction with enforceable regulations that span across issues and sectors (Ibidem, p.566). Essentially, ethical trade seeks to set a precedent of fairer trading principles which will eventually lead to more robust public policies at an international level.

ARM, for instance, has explicitly defined public policy development as one of its key objectives. It has acknowledged that without supportive public policies, the Alliance will face challenges in multiplying its model to different regions and contexts. An example of this is discussed by Hilson (2006), whose study proposed that ARM must take into consideration regional differences of the *use* for ASM produced gold. With a case study of Ghana, the study showed how artisanally produced gold is often used by national governments to supplement foreign exchange, rather than used for Western jewellery (Ibidem, p.390). Among other things, the discussion revealed that ARM's project must be implemented in

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[63] For instance, the World Trade Organisation waiver that facilitates the KPCS has been able to set a precedent in international trade negotiations that there are certain circumstances where 'free' international trade amongst countries is not the most optimal solution.

[64] Ethical trade generally includes a basket of ethical objectives such as labour and environmental standards, social development outcomes, human and cultural rights

cooperation with governments in order for it not to be detrimental to domestic development or be perceived with hostility.

Accordingly, ARM is already engaging with governments (for example the Peruvian Congress in 2008) and international institutions such as the World Bank's Communities and Small Scale Mining Secretariat (CASM), to advocate and develop an international definition of ASM as a precursor to global public policy development (Interview with Laura Barreto, April 3 2008). Currently, there is the challenge of dialoguing with so many individual governments at the national policy level because this requires immense amounts of human and physical resources.

Then again, a broad based intergovernmental initiative like the KPCS creates enabling policy environments at the national level; however targeted programs must be implemented that work towards socio-economic development for the process to be effective. Consequently, this case study of Sierra Leone confirms a finding of the 'Third Year Review' of the KPCS that internal controls remain one of the largest challenges in artisanal producing countries[65] (KPCS, 2006). It also resonates with findings from some CSOs' own assessment of the KPCS (GW and PAC, 2005).

In Sierra Leone, initiatives such as the DACDF or the development of cooperatives and training in valuation done by the USAID's PDA seem to be essential for effectively attaining sufficient internal controls to stop smuggling. In the wake of the PDA and other bi-lateral programs, CSOs involved in development programs should include tangible incentives for miners and communities to benefit from the formal diamond production-supply chain, and decrease the gains of using illicit channels.

At this point, it is important to learn from, and harness strategies from multiple actors working towards similar goals. Several learning arenas are in place that try to facilitate knowledge sharing and dialogue within this sector. As this study has shown, there is also space for learning between the KPCS and ARM. For instance, a global initiative such as the KPCS needs to find ways to trickle down to local mining communities and support context specific capacity building programs. Smaller niche ethical trading initiatives such as ARM need to lobby for access into international policy fora to create a global enabling environment for their work. As both these initiatives have had significant success in generating public policy awareness and working with ASM miners respectively, policymakers and practitioners should devote some time to identifying and strengthening complementary strategies between initiatives with similar objectives that operate at different scales.

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[65] Out of this review, Kimberley Process participants have agreed to prepare a more comprehensive list of internal controls that will support effective implementation (KPCS, 2006).

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Appendix

Questions for research participants and users. Administered in Peru and Colombia, April – May, 2008.

Name:_____

Date:_____

Can I use your name in my paper? Yes / No
If no, can I use your responses anonymously? Yes / No

Objectives and Strategies
1. What is the nature of your work, and how does it fit into the supply chain?
2. How did you become involved in this area – what was the process of evolution of your organisation?
3. What are the objectives of your organisation (ie. developmental objectives, policymaking/advocacy, private sector for profit, technological expertise)?
4. Do you have a formal strategy for fulfilling objectives? What is it?
5. Does the ethical trading initiative meet your strategic objectives to date?

Participation, Learning and Innovation
6. Who do you represent, and how does your organisation make decisions?
7. Do you feel as though you, or the people you represent, have been able to participate? How equitable do you think this participation has been?
8. Do you feel that you are able to influence the trajectory of the initiative? And in which ways? Please describe.
9. Are there institutionalised mechanisms for communication, knowledge sharing and organisational learning in the ethical trading initiative? What are they?
10. Are they effective for facilitating organisational innovation?

The Influence of Research
11. Have you ever participated in research – and about what themes, and in what capacity were you involved in the research?
12. Where do you get most of your information/research from?.
13. To what extent have research findings influenced your (organisations) actions?
(Specific research projects and examples of organisational change from research):

14. To what extent has the research had an impact? Has it:
    A. Changed attitudes?
    B. Changed informal practices?
    C. Changed formal policies?
    D. Policies been implemented on the ground?
    E. External third party evaluation of policy implementation?

15. In what other ways does research support your work (ex. Advocacy, networking, evidence)?
16. In what areas do you feel that you need more research support, and why?

17. Is there anything else that you want to add, or to ask me?

Questions for research producers. Administered in Peru and Colombia, April-May, 2008.

Name:_____

Date:_____

Can I use your name in my paper? Yes / No
If no, can I use your responses anonymously? Yes / No

<u>Scope of Research</u>
1. What knowledge gap does your research seek to fill?
2. How did you define the scope of your study? Please describe pertinent issues?
3. How did you define the objectives of the research?

<u>Methods of Research</u>
4. In which ways, and using which methods did you conduct the research (quantitative research (surveys, statistics), qualitative research (participatory, semi-structured, anthropological)?
5. Were you able to access the necessary information to fulfill objectives? Please describe?
6. Who were the main informants in you research?

<u>Influence of Research</u>
7. Have research results been actively disseminated to stakeholders (informants, policymakers, practitioners ect)? What avenues are you using to disseminate the findings?
8. Has there been any actions since dissemination? By whom?
9. To what extent do you think that research findings impacted policy by providing additional evidence?
    a. Changed attitudes by informing actors
    b. Changed informal policies
    c. Cited as evidence for formal policy changes
    d. Implementation of policies on the ground
    e. Evaluative research of impact has been conducted.

<u>Research Partners, Collaborations, and Supporting Networks</u>
10. Did you work with any research partners? If so, who? What were their roles?
11. How were decisions made amongst collaborating researchers?
12. Was a formal mechanism set up to manage the research: budget, agenda setting, co-ordination, advisory group?

13. Is there anything else that you want to add, or to ask me?

Questions for production-supply stakeholders. Administered in Sierra Leone, Sept, 2008

(Mineworkers, miner owners, dealers, traders, exporters, producers organisations, unions)

Name:_____

Date:_____

Can I use your name in my paper? Yes / No
If no, can I use your responses anonymously? Yes / No

Types of Work:

1. What type of work do you do in the diamond industry?
2. And who else do you closely work with (ex. work for? buy diamonds and/or sell diamonds to)?
3. Do you have a formal contract with them?
4. How did you get involved in this type of work? And how long have you been doing it?

Type of Monitoring:

5. Has the way that you trade diamonds changed since 2002 (end of war / beginning of chain of certifications)?

6. If so, what new processes (laws and regulations) do you have to meet to legitimately trade diamonds?

7. How did you learn about these new laws?

8. Who is responsible for checking that diamonds are traded according to the new laws? (ex. mines monitoring officers, local government, your superiors)

9. Do they do a good job? Yes / No
if yes, how? If no, why?

Capacity Building for Kimberley:

10. Has anyone (ex. your boss, colleagues, government, NGO) spoken / taught you about the reasons for the new laws?
Why they are needed? And what your role is in implementing them?

11. If so, from your understanding why have the diamond trading processes been changed? Please give some examples of the new laws and regulations, and how the affect the way you work?

12. Do you feel the new rules make your work easier and more secure, or worse and harder? In which ways?

13. Have you ever had any other training for your job? When? By whom?
What type of training did you receive? (ex. mining techniques, valuation skills, the role of licenses, health and safety, your rights and obligations). Was the training helpful for you? And how?

14. Did you share with anyone else about what you learnt? Who did you teach? How did you teach them?

15. Have you had the chance to give anyone feedback about how the laws work for you?
Who? (ex. government, your superior, unions, industry association, researchers)
What did you want them to know from you? What did they want to know from you?
How do you think that this information was used?

16. Is there anything else that you want to add, or to ask me?

Questions for government regulators. Administered in Sierra Leone, Sept 2008.

(Mines monitoring officers, local government, field gold diamond officers, license issuers)

Name:_____

Date:_____

Can I use your name in my paper? Yes / No
If no, can I use your responses anonymously? Yes / No

Types of Work:

1. What is your job title? What are your main duties? Please give a brief description

2. Do you face obstacles to effective conduct of your duties? If yes, what are they? (ex. resources, information, equipment)

3. Do you get assistance (money or supplies) from any other sources? Yes / No
If yes, from what individual, agency or organisations?

4. Is the assistance given to your agency reciprocated in some way by you (or your organisation)? In what ways?

Capacity Building for Kimberley:

5. Have you found that the laws/rules to trading in the diamond industry have changed since 2002? If yes, how have they changed?

6. What is your understanding of the reason for the laws and regulations?
What is your role in implementing the laws?

7. Have the changes in laws affected your work? (positively / negatively)

8. Have you ever received training related to your job? (Yes / No)
What type of training did you have? Was it helpful?
Have you had training often (How many training you undergone in the last 2 years)?

9. In what other ways have you learnt how to do your job?

10. Have you ever explained to anyone else about the laws of diamond trading? (Yes / No)
Who did you teach? What did you teach them?

11. Have you had the chance to give anyone feedback about how the laws work for you?
Who? (ex. government, your superior, unions, industry association, researchers)
What did you want them to know from you?
What did they want to know?
How do you think that this information was used?

12. Is there anything else that you would like to add (or to ask me)?

Questions for сivil society organisations and donors. Administered in Sierra Leone, Sept, 2008.

Name:_____

Date:_____

Can I use your name in my paper? Yes / No
If no, can I use your responses anonymously? Yes / No

Types of Work:

1. What organisation do you work for?
And how does it relate with the Sierra Leone diamond industry?

2. What is your job title? Main duties? Please describe.

3. Does your organisation have any programs/projects to support the diamond trade/Kimberley Process? Please describe them?

4. Do you collaborate with any other institutions to carry out your projects?
If yes, who? (ex. government of SL, international donors, civil society or industry)
In what capacity?

5. Does your work involve training and capacity building within the diamond industry? If yes, for whom? (ex. diggers, miners, license holders, community). Please describe.

Capacity Building for Kimberley:

6. Where do you and your organisation get most of your information/research from?
(ex. local community, government, academic, international)

7. To whom, and in what ways do you disseminate information?

8. How do you communicate, share, receive and store information? Please elaborate on processes?

9. Does sharing of knowledge and experience with others help your organisation get stronger? If yes, how?

10. Have you ever participated in research? What was the research about? And what was your role?

11. To what extent has the fact that you participated in research influenced your (organisations) actions? (Specific research projects and examples of organisational change from research)

12. Beyond your participation in the research process, to what extent have its findings influenced your organisation's work? Please specify?

13. Is there anything else that you want to add, or ask me?