

# Policy Coherence in the commodities sector: The case of mercury

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ETH-NADEL students (MAS 'Development and Cooperation' 2016–18) interested in artisanal and small-scale gold mining investigated the coherence of Swiss policies related to gold mining and the use of mercury. (Image: Danielle Villasana)

## *Policy Coherence in the commodities sector: The case of mercury*

*There is increasing recognition of the importance of Policy Coherence for Development (PCD): Donor countries' non-aid policies should at least not harm developing countries ("do no harm"), but should rather – in the ideal case – promote development goals and create synergies with the country's development policies ("win-win").*

As a key player in the commodities sector, Switzerland faces a number of PCD challenges. Taking the example of mercury use in artisanal and small-scale gold mining (ASGM) – an important economic sector in many developing countries – this brief addresses several policy inconsistencies and proposes measures to improve coherence.

### **Gold, mercury, and Switzerland**

Globally, 3'000 tons of gold are extracted every year (World Gold Council, 2016), of which around 12–15% comes from artisanal and small-scale gold mines (ASGM). Yet, in terms of labor, the ASGM sector employs around 80% of all gold mine workers (Telmer and

Veiga 2009; Chouinard und Veiga 2008). Working conditions in ASGM mines are precarious, often lacking even the very basic safety measures. ASGM production methods often include the use of mercury in the extraction process, which pollutes the environment, negatively impacts biodiversity, and endangers the health of both the miners and the local population.

Switzerland imports gold worth between CHF 65 to 110 billion annually for trade and processing purposes. Seven of the biggest gold refineries, processing 70% of global gold production, are based within its borders (Swiss Academies 2016). This unique position as a 'global gold hub' gives Switzerland not only the responsibility but also a unique opportunity to play a proactive role in addressing the risks and challenges of informal and small-scale gold mining.

### **Colombia**

As an example, Switzerland imports around 18 tons of gold from Colombia each year. 80% of all gold produced in Colombia originates from the ASGM sector. Many artisanal and small-scale mines are informal

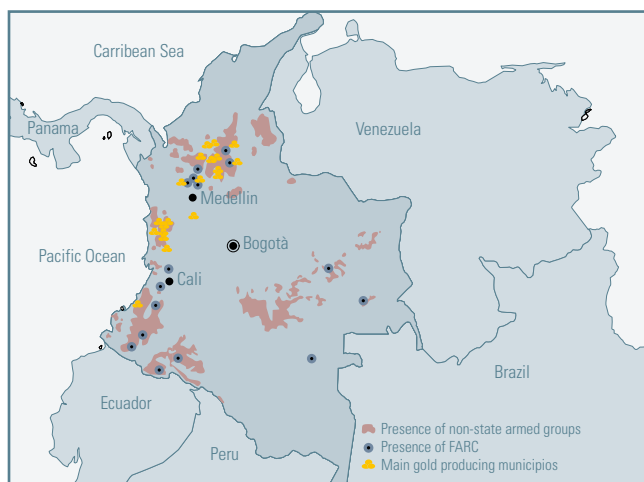


Figure 1: Presence of non-state armed groups in ASGM areas in Colombia (authors' representation based on Castilla 2013)

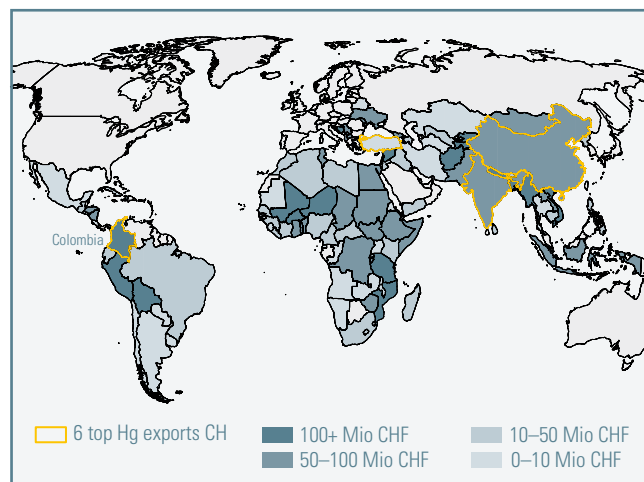


Figure 2: Switzerland's Official Development Aid (ODA) and the main mercury export destinations (EDA 2016a)

(i.e. operating without a title but legally accepted under certain conditions), others are illegal or even directly or indirectly involved in financing non-state armed groups and criminal gangs (Echavarría 2014; Figure 1). All of them use mercury to the detriment of the environment and human health.

Colombia is one of the 20 top beneficiary countries of Swiss development cooperation, receiving CHF 107.6 Mio between 2011 and 2015 (EDA 2016b; Figure 2). Humanitarian aid accounts for roughly half of this amount, the other half being disbursed by the State Secretariat for Economic Affairs (SECO) to support governance, economic competitiveness, climate change adaptation, and sustainable urban growth.

### The PCD nexus between the Minamata Convention and mercury exports from Switzerland

Switzerland has been one of the driving forces promoting a binding international agreement for a global ban of mercury. In 2003, Switzerland launched this initiative together with Norway, and the UN Minamata Convention on Mercury was adopted in 2013 ([www.mercuryconvention.org](http://www.mercuryconvention.org)). The convention aims at protecting human health and the environment from anthropogenic mercury contamination. Signatory states agree to introduce legally binding rules for regulating mining mercury, curbing mercury emissions, and reducing the use of mercury in artisanal and small-scale gold mining.

The success of this engagement by Switzerland contrasts with its economic policy. While the European Union banned mercury export in 2011, Switzerland still has not introduced a ban, having exported around 100 tons of mercury per year on average between 2011 and 2015. Of the total exports, an average of 11 tons were destined for Colombia (Figure 3). It can be assumed that at least some of the mercury used in the Colombian ASGM sector comes from Swiss exports (see also BAFU 2016).

Swiss economic policy and the economic activities of Swiss companies stand in contradiction to its international commitment to contain mercury-based pollution. Clearly, temporary PCD inconsistencies cannot be avoided entirely, but an astonishing 15 years will have passed between the Swiss international pledge to ban mercury and the introduction of a Swiss export ban, which is planned for 2018.

### The PCD-nexus with the OECD Guidelines

As an OECD member state, Switzerland has committed to follow OECD guidelines; included are the OECD 'Guidelines for Multinational Enterprises', which provide non-binding principles and standards for responsible business conduct in a global context consistent with internationally recognized standards. They also include the OECD 'Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas', which provide recommendations to help companies respect human rights and avoid contributing to conflict through their mineral purchasing decisions and practices. The guidelines cover the companies' supply chain but they do not cover a company's export activities, i.e. a company is not required to ascertain that the products it exports will not be used in a way that violates human rights and environmental standards.

National Contact Points (NCP) in OECD countries are set up to address infringements of the OECD Guidelines. The Swiss NCP is embedded in SECO's International Investment and Multinational Enterprises Division. Moreover, there is no possibility of filing a claim in developing or emerging countries such as Colombia (e.g. through the embassy of the respective OECD member country). Further, no cooperation between Switzerland and Colombia on the topic can be identified although the latter has committed to adhere to the OECD Guidelines for Responsible

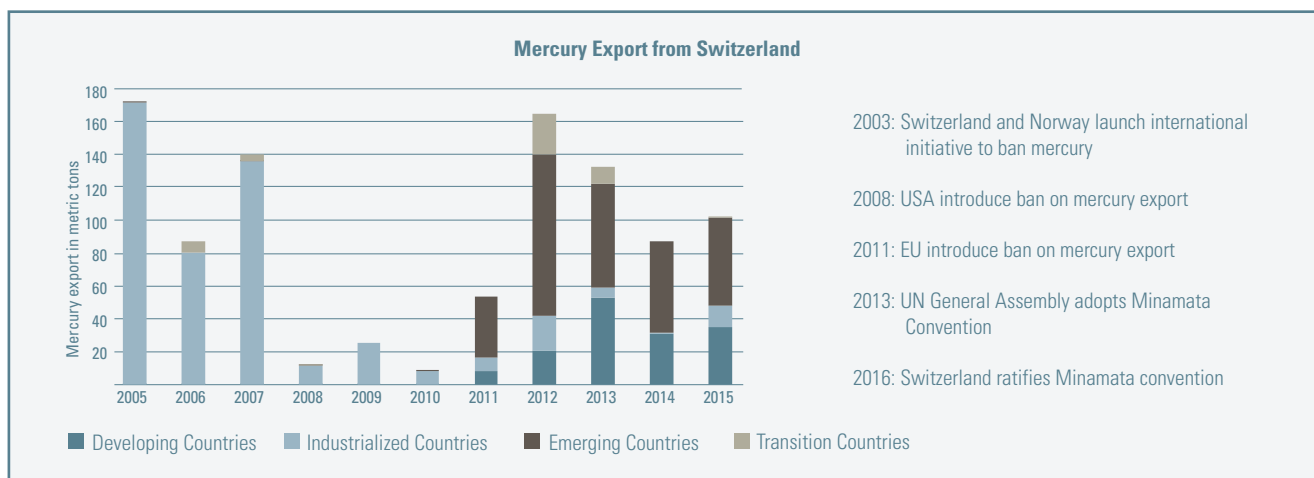


Figure 3: Mercury exports from Switzerland compared to mercury governance decisions (authors' representation based on Swiss-Impex 2016)

Supply Chains in May 2012 and is expected to become an OECD member in the near future (OECD 2015). The non-binding character of the Guidelines together with the lack of independence of the NCP and its limited accessibility weaken policy coherence.

### The PCD-nexus in the international cooperation of SDC and SECO

Policy coherence for development also includes how the coherence between different Swiss aid policies contributes to the success of development initiatives. In the early 1990s, the Swiss Development Cooperation (SDC) agency was involved in projects dealing with the use of mercury in artisanal and small-scale gold mining, possessed relevant technical know-how, was one of the biggest donors in the ASGM sector, and played an active role in the World Bank's Communities and Small Scale Mining (CASM) Initiative (Hinton 2006). SDC was the first agency globally to successfully substitute mercury in ASGM through projects in Ecuador and Bolivia in 1993 and 1994, respectively (SDC 2011). SDC was also among the first international agencies promoting the formalization of artisanal and small-scale mining operations through a project in Peru in 1999 (Méndez 1999). However, while this engagement was initiated as an explicit Swiss contribution to the Global Environmental Facility (GEF), the ASGM topic seems to have faded away and has ceased to be a focus for SDC after its last successful project in Mongolia in 2008 (Barreto 2012).

With the 'upgrading' of Peru and Colombia to upper middle-income countries, SECO became the lead agency for the bilateral development cooperation with the two countries. In Peru, SECO launched the Better Gold Initiative (BGI) as a Public-Private Partnership together with the Swiss Better Gold Association (SBGA). The focus shifted from technical assistance towards a mar-

ket-based approach, i.e. increasing transparency in the gold supply chain and promoting demand for Fair Trade Gold (SECO 2016).

Colombia which became a Minamata signatory in 2013 (together with Peru), could greatly benefit from technical know-how on mercury substitution and the formalization of the ASGM industry to reduce environmental pollution and improve miners' working conditions. In addition, the formalization of the sector would also curb the role of ASGM mining in financing militias, instead of only mitigating the consequences of the armed conflicts through humanitarian aid.

### Conclusion and recommendations

According to SDC, its projects in Ecuador, Bolivia, Peru and Mongolia have led to the cumulative reduction of 11 tons of mercury emissions per year (SDC 2011). Yet, between 2011 and 2015, Switzerland has exported the same amount of mercury to Colombia every year (out of 100 tons of annual mercury exports) where "...it ends in artisanal mining and hence nearly completely in the environment" according to the Federal Office for the Environment (BAFU 2016, own translation). This quantitative summary illustrates the potential of increased policy coherence. The following recommendations highlight measures to improve policy coherence and hence aid effectiveness.

#### **Recommendation 1: Extend due diligence downstream the value chain.**

The OECD Guidelines should be extended to a company's export activities. NCPs should be established in an independent institutional setting and not only be accessible in Switzerland. Close cooperation between Switzerland and export destination countries (e.g. through information exchange) for critical materials such as mercury are important measures to monitor the flow of goods and undermine its use for illicit purposes. With Colombia adhering to the



OECD Guidelines on Responsible Supply Chains and joining the OECD in the near future (OECD 2016a), there is ample scope for technical support and cooperation, e.g. in the implementation of the Guidelines or setting up an NCP.

**Recommendation 2: Institutionalize policy coherence due diligence.**

A more systematic screening of Swiss policies and Swiss engagement in international governance should be institutionalized in order to detect and address intra-governmental as well as inter-governmental inconsistencies.

**Recommendation 3: Capitalize on existing technical knowledge and previous investments.**

The Federal Council has declared the commodities sector a focus area for international cooperation in the years to come. Switzerland might share its technical expertise with partner countries having an ASGM sector, such as Colombia, in order to improve its overall aid effectiveness. In addition, the SECO-SDC coordination mechanism (IKEZ) should be strengthened in order to avoid strategic ambiguity or the loss of expertise.

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