

2005 AGM Report

To the Communities and Small-Scale Mining (CASM) Secretariat regarding the
Communities and Small-Scale Mining Regional Network in China (CASM-China)



*Small Gold Concentrating Mill, Lingbao City, Henan Province, China
CASM-China Case Study and County Meeting, August 2-6 2005*

Shen Lei
AJ Gunson
Philip Andrews-Speed

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Forward

The Communities and Small-Scale Mining Regional Network in China (CASM-China) aims to bring together a wide range of people involved in artisanal and small-scale mining (ASM) in China, within the context of poverty alleviation and sustainable communities. Since its inaugural meeting in Beijing on January 5-7, 2004, CASM-China has been actively working toward implementing its work plan. This report summarizes CASM-China's activities since its inaugural meeting and recent works after the AGM in October 2004 in Sri Lanka, details its achievements made and work plans toward successfully implementing this plan.

Review of work and financial statement

After successfully implementing the 2004 contract with CASM, CASM-China submitted a proposal to search for further supports from CASM in 2005, with the aim of continuing to raise the level of awareness and knowledge within the Chinese government and stakeholders of ASM issues and work to stimulate and contribute to a balanced policy debate that addresses issues related to regularisation, environmental protection, health and safety and poverty alleviation.

CASM-China's previous goals were to:

- Share ideas, research plans and research output;
- Develop a wider network of ASM researchers and policy influencers in China; and
- Establish links with the international ASM community.

Upon receiving CASM's supports, CASM-China began working toward these goals. Some works had been done before the 2004 AGM as follows:

- a) Hosted CASM-China's inaugural meeting in early January 2004;
- b) Finished the formalization of CASM-China under the China Mining Association (CMA) since February 2004;
- c) Finished website registration, creation and maintenance – The IP address www.casmchina.org has been running for two years since October 2004;
- d) Established a Web-based Knowledge Centre – The center now includes information on global ASM projects, conferences, and news items. ASM papers, including legal documents, have been uploaded to the website and more will be added as the website develops. CASM newsletters are translated into Chinese and shared on the website. A new electronic journal of ASM in China was created in the website and all documents in 2004 had been uploaded into the website. More articles published from 1996 will be done soon;

- e) Created an Online Small-Scale Mining Forum – This forum is now available to allow people to discuss ASM policy, legislation, health and safety, technology transfer, environmental protection and poverty-reduction. Up to date, 120 readers have registered as usual members of the forum;
- f) Carried two local ASM meetings, namely, one is a multi-stakeholder meeting in the field survey in Shahe City, Hebei Province, on April 9-11, 2004, and another in Chongqing City, on September 22-24, 2004;
- g) Sending three representatives to the CASM 2004 annual meeting in Sri Lanka to report on CASM-China's activities;
- h) Expanding the CASM-China Network – CASM-China has been working toward increasing both the depth and width of its network in China.

After the successfully attending the 2004 AGM and finished its 2004 contract, the following actions have been undertaken:

- **Presented ASM seminars in China and Philippine**

On October 8, 2004, the Ministry of Land and Resources held a senior forum in Beijing, aiming to discuss the problems and challenges of two laws revision (Land Law and Mineral Resources Law). Shen Lei was invited to give a presentation on the seminar, introducing some experiences from international ASM legislation and hints for China. On June 12-18, 2005, CASM-China commissioned a representative, Mrs. Huang Ganlin, to participate in the PSDN meeting in Philippine. She will submit a short report to CASM-China.

- **Undertaken the draft of ASM Law**

Since October 2004 Shen Lei and Li Peiji have been being responsible for the drafting of ASM in the second revision of Mineral Resources Law of China. CASM-China has translated this document for comment into English. Please see the file in Appendix I.

- **Written a national policy paper**

In 2002 the Lipeiji was responsible for and finished a policy study on ASM in China. Based on this policy report CASM-China wrote several policy papers on their roles of ASM and some determinates for sustainable development. These are draft Chinese documents and not for circulation. CASM-China has published a policy article on the major publication of *China Land and Mineral Resources Daily*. CASM-China will present the details of the policy paper latter. Translations will also be made.

- **Carried a field trip and local meeting**

On August 2-6, 2005, CASM-China sent four persons to take a field visit to Lingbao City, Henan province, where is a gold-rich area of famous Xiaoqingling Gold mountain. This trip was to investigate the practical issues of gold and other kinds of ASM in the Xiaoqingling area; to understand the concerns of ASM workers and owners about the latest revisions of ASM Law; and to expand the CASM-China network in ASM-concentrated regions in central China (see Appendix III). More details are available in another paper.

- **CASM-China Knowledge Center**

Six ASM journal articles from 2004 have been uploaded. Lots of articles, news, photos and comments in China have been put into the website. In addition, the CASM-China website is regularly updated with news from CASM.

- **CASM Annual General Meeting**

Shen Lei already has booked tickets for travel to Bahia and will give a presentation to CASM about the recent works of CASM-China.

- **Publications** – CASM-China has participated with the following papers:

Shen Lei. May 8, 2005. Improving the healthy development of small-scale mining. China Land and Mineral Resources Daily.

Shen Lei and Gunson, A. 2005. The Role of Small-Scale Mining in China's Economy. Journal of Cleaner Production. v. 6 (2).

- **Financial statements**

Thanks to CASM for continuous financial supports since 2004. With the 2004 contract signed by A J Gunson, a total of US\$15,000 funds received by Aaron Gunson were transferred to CASM-China through Shen Lei. In April 2005 CASM approved another proposal for the 2005/6 and signed the 2005 contract also with A J Gunson. In August, however, CASM has recommended that CASM-China resubmit a new proposal (see Appendix II), covering part of the existing 2005 contract, under the name of Shen Lei, a Chinese national. CASM-China continues to work toward implementing its 2005 work plan.

Therefore, all funds from CASM could be summarized as follows:

- The 2004 contract: US\$15,000(income) - US\$12,262.29 (costs) = +US\$2,737.71(balance at the end of 2004)
- The 2005 contract: US\$3,000(income) + US\$2,737.71(balance)-US\$3,525(costs)= +US\$2,212.71(balance to date)

Please see Table 1 for an update of CASM-China's budget for 2004 and the first half 2005.

b. Review of short term challenges

As determined in the inaugural meeting, the roles of CASM-China should be played in the following aspects:

- Actively engaging and cooperating with Chinese agencies to develop new ASM policies and laws;
- Promoting a balanced view of the role of ASM in China and promoting the potential of ASM to contribute to rural poverty alleviation while mitigating harmful impacts;

- Creating a knowledge center to provide information on ASM both internationally and domestically, as well as a forum for sharing ideas, research plans and research output;
- Developing a wide network of ASM researchers and policy influencers in China and with the international ASM community to facilitate communication between experts.

Various barriers, however, lay between CASM-China and its goals, including:

- Formalization
- Institutional and Hierarchical Boundaries
- Champions
- Budget

CASM-China has effectively overcome or is in the process of overcoming these barriers through the following actions:

- 1) Formalization – CASM-China was given to the leadership under the Chinese Mining Association (CMA). The importance of this formalization is hard to overstate. An informal organization in China is not viable, as all organizations must be formally registered. All people in China, especially at lower levels, were extremely reluctant to cooperate with any organization that was not formally recognized with the Chinese government. Even if CASM-China attempted to register formally as an NGO, however this would have probably taken a long period, and would not have the institutional weight that is possible with the CMA.
- 2) Institutional and Hierarchical Boundaries – One of CASM-China's most important roles is to bring together people from a wide range of agencies, backgrounds, and levels of government to discuss small-scale mining issues. Generally speaking, China has no lack of well-qualified, talented experts in most fields. However, China is often challenged to break through its own bureaucratic barriers between different agencies to allow these experts to communicate with each other. As has been demonstrated internationally, successful approaches to the challenges posed by ASM require a multidisciplinary approach.

Since ASM safety and casualties happened from time to time, it causes the central government to want to control, not encourage, ASM in China and puts off any favourable policy and legal initiatives. Therefore, CASM-China has often worked to surpass boundaries between levels of government in China, by inviting participants from a variety of levels to its inaugural meeting, by hosting local meetings in rural areas, and by encouraging all participants to share their opinions on ASM. Thus CASM-China has worked to effectively engage local communities and the miners themselves.

- 3) Champions – In order to carry any weight in policy discussions, CASM-China needs to have the support of senior members of the Chinese government. Senior members who attending the inaugural meeting and continuing to actively support CASM-China include:

Fu Mingke, previous Director General of Department of Ministry Exploitation in Ministry of Geology and Mineral Resources (now renamed the Ministry of Land and Resources), now of the China Mining Association

Li Peiji, Small-Scale Mines Committee, China Mining Association

He Xianjie, Senior Consultancy Center, Ministry of Land and Mineral Resources

Liu Yikang, Deputy Secretary-General, China Mining Association

Shen Lei was appointed Director of the Small-Scale Mines Committee in the CMA, and has since also been appointed General Secretary of the China Society of Natural Resources.

CASM-China is managing to expand itself by inviting a larger number of representatives of international organizations to act as champions of CASM-China within their own organizations. Mr. Shen Lei will hold a short interim with Dr Kuntala Lahiri-Dutt at the Research School of Pacific and Asian Studies in the Australian National University in late 2005, carrying out comparative studies on ASM both in China and India. CASM-China will hold a workshop about ASM at the International Conference on Circular Economy and Regional Sustainable Development (see the website at www.2005cersd.org.cn) and A J Gunson and Kuntala Lahiri-Dutt were formally invited to participate in this workshop. Still, some international graduate students, like Mrs Huang Ganlin in the United States and Miss Zhao Xinju in France, were still asked to involve in the network of CASM-China.

Future general meeting of CASM-China will provide a larger opportunity for the international community to be involved and will be scheduled to allow better international attendance.

- 4) Budget – Thanks to the initial grant of US\$15,000 and the second US\$ 3,000 provided by CASM, CASM-China was able to host its inaugural meeting and cover the costs of implementing the work plan developed in the 2004/5 contracts. Moreover, CASM-China has received substantial in-kind contributions both from within China and internationally, including the transportation costs of Philip Andrew-Speed and AJ Gunson to the inaugural meeting and their time working on CASM-China related activities, as well as the facilities and substantial time spent by Shen Lei and other Chinese experts and officials. These in-kind contributions may already exceed CASM's initial investment.

In addition, CASM-China has made proposals for further research funds from both Chinese and international sources. A project investigating best practices in local

government small-scale coal mining policies has already been approved and funded by the University of Dundee.

Having largely overcome these four barriers, CASM-China has concentrated on achieving its work plan, as documented in the past reports, with the aim of removing roadblocks to implementing a national ASM policy.

c. Work Plan for the coming year

In the coming year from now on, CASM-China will place its works on the following aspects, changing its meeting-oriented goals into practical cases studies towards small-scale mining and community development.

- 1) Attending the 2005 AGM in Salvador, Brazil;
- 2) Continuing to complete the national policy report and ASM law draft; listen to some public comments on ASM laws and make further revisions; writing a comprehensive analysis article on ASM policy and legal advance;
- 3) Carrying out at least two case studies in the west and east of China;
- 4) Translating a booklet from ILO and other news of CASM from English into Chinese;
- 5) Documenting all journal articles from 1996 to 2003 onto the website of CASM-China;
- 6) Holding workshop on ASM on November 1-4, 2005 in Hangzhou conference;
- 7) Holding annual meeting in late 2005 during the new session of CAM;
- 8) Taking a short visit to the Australian National University;
- 9) Web upgrade monthly.

d. Strategic planning and alliances

CASM-China is actively pursuing the following strategic actions and alliances:

- 1) Actively applying for CASM AGM in 2007 and encouraging the MLAR and CMA to apply for this meeting. CASM-China had suggested the Lingbao City government to hold it and the Bureau of Geology and Mineral Resources in Lingbao and Henan Mining Association had paid high interests and would like to do so;
- 2) Participating in the works of CASM-Asia and even CASM Asian Pacific network, in which I discussed with Dr Kuntala Lahiri-Dutt;
- 3) Advising the central government to pass the new ASM law drafted by CASM-China, and
- 4) Applying for further research projects from China and international communities.

Summary

CASM-China continues to make substantial progress toward meeting its goals as outlined above by formalizing under the CMA, building and developing its Knowledge Centre. CASM-China successfully held its inaugural meeting in January and held three local stakeholder meetings in Shahe City (the north China), Chongqing City (the west China) and Lingbao City (the middle China). CASM-China is actively pursuing partnerships and projects towards achieving poverty reduction and sustainability in ASM, and is actively influencing China's ASM legislation and policy, by ways of being responsible for the ASM law draft and public comments. Some workshops about ASM either in China or outside had and will be held. Lots of achievements are well presented in its reports and publications.

Table 1: CASM-China Work Plan and Budget until the end of August 2005

Activity	Details	Budget	
		Projected (USD)	Actual (USD)
By the 2004 AGM	2004 Contract signed with A J Gunson	15,000.00	9,632.29
After the 2004 AGM			2,630.00
Subtotal			12,262.29
Balance			2,737.71
April 2005	2005 Contract signed with A J Gunson	3,000.00	
Withheld the 2005 contract and will sign a 2006 contract	2006 Contract signed with Lei Shen	12,000.00	
Since the first half 2005			
Documenting	Translate and make available key Chinese and international ASM legal and policy documents	1000.00	600.00
Local CASM-China Meeting	Co-host a pilot multi-stakeholder meetings in ASM counties with the CMA	3,000.00 + local county and CMA	500.00
	• Lingbao field survey		2,100.00
Expand Network Nationally	Meeting participants are to reach out to their counterparts in ASM areas unrepresented at the meeting	Participants in-kind contribution	
Expand Network Locally	Rural meeting participants are to reach out in their communities to inform and involve other ASM stake-holders	Participants in-kind contribution	
CASM Annual Meeting	Send at least one CASM-China representative to the 2005 CASM Annual Meeting to report on CASM-China's activities	2,500.00	
ASM Law Draft	Correct and complete the ASM law	500.00	200.00
Projects	• Approach the China Science Foundation for cooperation studying the policy and legal issues of ASM and some potential counter-measures	200.00	125.00
	• Approach the ILO and the State Safety Production Supervising Bureau for cooperation on a pilot mine safety project	100.00	
	• Approach UNIDO and the Chinese Academy of Science for cooperation on a pilot mercury reduction project	100.00	
CASM-China 2005 Meeting	Begin planning and fund raising for the second annual meeting of CASM-China	300.00	
Balance to date			2,212.71

Appendix I: the Draft ASM Law of the People's Republic of China

Chapter 10 Small-Scale Mines and Artisanal Mining

(Draft version)

13 June, 2005

[Objectives]

Article 1 These articles are formulated in an effort to implement the scientific development viewpoint, to promote the healthy and sustainable development of small-scale mines and artisanal mining, to improve the rational development and utilization of mineral resources, to safeguard the security of state-owned resources and promote the development of local economies and the society.

[Policies]

Article 2 The State shall protect the legal rights and interests of the concessionaires of small-scale mines and artisanal mining individuals. The owners of small-scale mines and artisanal mining have equivalent legal status with the concessionaires of large or medium mine enterprises in accordance with law.

Article 3 The State shall adopt a policy to offer rational planning and correct guidance and carry out enforced administration to small-scale mines and artisanal mining. It shall permit small-scale and artisanal miners to mine mineral resources within the areas designated by the State.

Article 4 The competent departments under State Council and people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall direct and guide the small-scale mines and artisanal mining to rational exploit and utilize the mineral resources by formulating the State land and resource exploitation planning and local development planning.

Article 5 The State shall direct and help small-scale miners to raise unceasingly their technical level, and to increase the mineral resources utilization rate and economic efficiency, encourage and regulate the development of small-scale mines and artisanal mining.

Article 6 The jointly exploration and intensive operation of small-scale mines is encouraged. The State shall encourage, support and guide small-scale mines jointly operate the business through merger, reorganization and adopting the shareholding system to increase their intensive level and economic efficiency, to promote the rational development and utilization of mineral resources.

Article 7 the State shall provide consultation and service for small- scale and artisanal miners who use safe and environmental protective mining methods in their processing and production.

Article 8 Departments in charge of land and resources, geological exploration entities, large and medium mining enterprises shall, on the principles of vigorous support and mutual benefit, provide geological data and technical service with compensation to small-scale mines.

Article 9 The State shall arrange a classification system to implement the administration on the small-scale mines and artisanal mining. The requirements on the resources condition and material preparation can be different corresponding to the differences in sorts of minerals to be exploited.

[Definitions of small-scale mines and artisanal mining]

Article 10 The small-scale mining as mentioned in the present law means its output meets the standard for small-scale enterprise prescribed by the State, or its exploitable reserves is a small one of mineral resource deposits.

Article 11 Large- and medium-scale equipments for excavation and transportation system of jointly mining and dressing are not employed in the production in small-scale mines.

Article 12 The artisanal mining as mentioned in the present law refers to the Individual businesses or Individual partnership with mining right and business license lawfully obtained, have proper skills on mining and directly participate in mining activities. The exploitable reserves for artisanal mining are under the minimum quantity standard of small-scaled mineral deposit prescribed by the State.

Article 13 The artisanal mining shall not employ non-human machines and explosive materials in washing, picking up, exploiting of mineral resources on the earth's surface.

[Regulations on small-scale mines and artisanal mining]

Article 14 The areas for small-scale mines and artisanal mining include:

(1) Those small ore fields and mine spots that are not suitable for State to set up large and medium-sized mining enterprises according to the mineral resources planning of State.

(2) The leftover ore bodies and fringe and scattered minerals in the former mining areas of large and medium-sized mining enterprises after their closedown and shall be approved safe to exploit and will not cause negative impacts on ecology and environment.

(3) The State mineral resource planning and local exploitation planning shall prescribe the scope of mineral resources that permit the small-scale mines and

artisanal mining to exploit, including common building materials such as sand, stone and clay and small amount of dispersed minerals for their own use in daily life.

Article 15 The exploitation of following mineral resources by small-scale mines and artisanal mining are prohibited;

(1) The mineral resources prescribed in the Article 17 of Mineral Resource Law of the People's Republic of China;

(2) The mineral resources within mining areas embraced in State plans or within the mining areas of large or medium mining enterprises;

(3) The mineral resources in the mining areas that are in process of exploration, with the exception of the mining right lawfully abstained prior to the establishment of exploration right;

(4) The safe pillars、waterproof pillars and the insulation pillars between mines of mining enterprise;

(5) Other mineral resources as prescribed by the State;

(6) Those mineral resources that are prohibited to explore shall be approved and promulgated by State Council.

Article 16 Regulations on the relations between small-scale mines, artisanal mining and large or medium mining enterprises。

When the State needs to set up large or medium mining enterprises in the area where small-scale mines are lawfully established or its mining rights are lawfully obtained by artisanal mining in priority, the small-scale mines and artisanal mining must remise and leave and shall be proper compensated by the new mining enterprise. The administration on former small-scale mines or mining individuals shall be in accordance with following regulations:

The large and medium-sized mining enterprises can joint run the business with small-scale mines and artisanal mining upon the approval of the superior administrative department with the precondition that this action will not interfere the whole plan for large or medium-size mining enterprise.

If there are fringe and scattered minerals in the planed mining area of the large or medium-sized mining enterprises that are suitable for small-scale mines to exploit, the small-scale mines can move to a new place and mine minerals in prescribed areas according to the integrated planning of large or medium-sized mining enterprises with the approval from superior administration authorities. The small mining enterprise should re-apply for the mining license.

If there are no fringe and scattered minerals that are suitable for small-scale mines to exploit, the small-scale mines must remise and leave and shall be proper compensated by new mining enterprise.

[System of mineral resource management]

Article 17 [appraisal and examination of mineral resources reserve and designation and submission of geological materials]

Anyone who wants to establish a small mining enterprise must have relevant geological data and images. The level of prospecting and research of geological data can be different according to the differences in mining methods and types of minerals

The small-scale mines who want to exploit the ore-field or mine spot that have been geological prospected and submitted the information of reserve, shall submit the verification of mineral resources reserve when handling mining registration.

Anyone who want to exploit the ore-field that have not been prospected or been prospected but the mineral resources reserve are not yet clear, shall submit a simple geological prospecting report on and an estimation of reserve.

Anyone who want to mine the scattered and dispersed minerals, the fringe minerals of large or medium-sized mining enterprise or the leftover ore bodies of closed mines that whose mineral reserve is not in the State reserve statistics or the reserve have been cancelled after verification should submit geological prospecting report when handling the mining registration procedures.

Small mining enterprise should submit a exploitation blue print that are approved by qualified institution when handling the mining registration procedures

Small mining enterprise should have a map of the scope of mining area attached with geological materials when handling the mining registration procedures. Additional maps of the correlation between surface and underground workings are required if there are underground mining.

[System of mineral ownership right management]

Article 18 Administrations on the ownership of mineral resources shall be in accordance with Article 3 of the Mineral Resources Law.

[System of mining right management]

Article 19 [The validity of the mining license of small-scale mines]

The validity of the mining license of small-scale mines shall be determined according to their mineral reserve, whereas continuation of mining is necessary upon expiration of the validity of the mining license, the mining right holder could handle procedures for extension of the registration with the original registration department.

The extension of mining license as stipulated by the State shall not exceed fixed number of year in former mining license; the mining right holder should pay relevant fees according the prescribed procedures.

Calculation of the validity of the mining license of small-scale mines shall begin on the registration date. The small-scale mines may re-apply for mining license if there are no construction and production within 6 months calculated from the registration date.

Small-scale mines should handling examination formalities every year, and artisanal mining should handling registration formalities every year.

[Installation of land markers]

Within 15 days of the acquisition of mining license, the mining right holders should install markers at the borderline of their mining area according to the fixed scope of mining area or proclaim it.

[Requirements on remission]

Small-scale mines and artisanal mining are exempted from the value-added tax on mine industry and the Compensation Fees for Mineral Resources. Those who exploit flimsy, very flimsy mine bodies, mine bodies that are under the economic efficiency and dispersed leftover mine bodies may have exemption from value-added tax on mine industry, Compensation Fees for Mineral Resources and Resource Tax basis on their own conditions.

[Qualification for small-scale mines and artisanal mining]

Article 20 [Registration qualification]

Administration on the examination and approval of the establishment of small-scale mines and artisanal mining, the application and registration of mining rights should be in accordance with the rules and regulations formulated by the Standing Committee of People's Congress of provinces, autonomous regions and municipalities directly under the central government.

Article 21 [Requirements on applicants]

Prior to submitting application for mining rights, the mining right applicants, individual or collective, shall obtain the usufruct of mineral deposits. All citizens of People's Republic of China are available to apply.

The exploitation on sand, stone, clay and other scattered and dispersed mineral deposits by small-scale mines or artisanal mining are under the administration and of mineral resource authorities at county level or administrative organ authorized by department of higher level.

Article 22 [Regulation on payment]

Small-scale mines and artisanal mining should pay the mining area fee. The mining area fee shall be collected yearly basis based on mineral and the size of the mining area. The standard of collection is RMB Yuan 1,000 per square kilometre per year. Small-scale mines and artisanal mining should pay mining fee, mineral resource compensation and environment recovery deposit at the acquisition of mining license, the payment can be in full or in instalments.

Article 23 Anyone who wishes to establish small mining enterprise should meet the requirements of establishing a enterprise and meet the following basic requirements.

[Requirements for resources]

- (1) Have geological appropriate data that is appropriate with area to be mined;
- (2) The area to be mined is clear, and has no disputes with adjacent mining enterprise;

(3) Provisions on the proportion of mining area. The proportion of mining area prescribe in the mining license of small mining enterprise is 0.5 sq km sq to 1 sq km in common. One mining individual or collective could only have one mining license of small mining enterprise.

[Technical requirements]

The Applicants should have appropriate capital and technology compared to the prospective ore-field. Small-scale mines should construct and exploit in accordance with mine design, raise the level of their technical skill on mining, choose appropriate technology and equipment to enhance utility level of mineral resources. The irresponsible and irrational exploitation that cause damage to mineral resources is strictly prohibited.

Small-scale mines should have necessary technology on geology, exploitation and safety, meet the technology requirements of normal production of mining. Those projects not in conformity with technology requirements may not carry out exploitation and production. Those already started projects that not in conformity with technology requirements should be given time limit to improve their technology. Those projects that remain disqualification within time limit should stop their exploitation and their mining licenses shall be revoked.

The production technical personals of small-scale mines in geology, exploitation and safety work can be full time or part-time or from professional technique service institutions. All individuals engaged in mining should take special training, only those who obtained certificates can participate in mining work.

[Environment and safety]

Article 24 [Environmental requirements]

The small-scale mines and artisanal mining should have basic safety conditions and environmental protection measures. Any small mining enterprise or mining individual who wishes to exploit sand, clay and other sandstones in plantation, river-ways that used for discharge of flood and water-logging and area of sea-routes should firstly obtain the consent of departments of land or river-ways and sea-routes administrations, then handling mining registration procedures at agencies prescribed by local rules and regulations formulated by the Standing Committee of the People's Congress of Provinces, Autonomous Regions and Municipalities directly under the central government.

Anyone who wishes to establish a small mining enterprise must meet the requirements on mine environment protection and mine geological disaster prevention prescribed by the State. Statement on environment impacts and measures on environment protection and geological disaster prevention should be included in the application materials. Those projects not in conformity with the required measures on environment protection and geological disaster prevention may not be issued a mining license, those already started should be given a time limit up to be closed down.

[Safety requirements]

Anyone who wishes to establish a small mining enterprise should meet the safety and industrial sanitation conditions prescribed by the State, and obtain the safety evaluation and qualification. The principal should have basic knowledge on mine production and safe production, have the certificate that shows he has taken special training and passed the examination. Those whose safety and industrial sanitation conditions not in conformity with the requirements of the State may not be issued a mining license, those which already started should be given a time limit up to force to close down.

[Requirement for separate small concentrating mill]

Article 25 Any enterprise who wishes to establish a separate small concentration plant, a small coal cleaning plant or a stone processing plant should obtain the approval granted by the department in charge of land and resources, should have the feasibility research report that meet the requirements of industrial and technological policies and mining design. The enterprise should have corresponding technological competence and equipment. The choosing for plant location and construction project should be design by a qualified design institution. The design should include necessary establishments such as an integrated material preparation workshop, a mine separation workshop, a waste reservoir and a waste rock site.

A separate small concentrating (washing) mill should optimize the utilization of resources in a rational way, guarantee the output rate of concentration meet the designed level, and fulfill the duty of environment protection related to gangue, coal mud and mullock. Irresponsible discharge is strictly prohibited, in order to prevent environment pollution.

[Responsibilities of local government]

Article 26 the people's governments above county level should direct and accelerate the structure adjustment of small-scale mines and artisanal mining, help them to carry out technological reform, to improve business management, strengthen environment protection and ensure safety in production.

[Interests of local residents]

Article 27 The village government and villagers are permitted to mine small amounts of minerals, as well as sand, stone, clay and common building materials in the collective-owned area for their own use in daily life. The selling or in any covert form of selling exploited mineral products to gain illegal profits are prohibited.

[Closure of small-scale mines and artisanal mining]

Article 28 The administrative department of land resources under the State Council and the relevant administrative departments of the provinces, autonomous regions, and municipalities may close down the small-scale mines for public interests or when the small-scale mines caused serious damage to the mineral resources, environment depravation or serious accidents against safe production and shall proclaim the closedown.

Prior to the automatically closedown of the small-scale mines or artisanal mining because the resources are exhausted, the closedown shall be approved by original license issuing organ, the land should be reclaimed according to the original design.

Article 29 The State encourages local government to establish and improve the local market for the selling of local mineral products. The selling of mineral products shall obey the instructive price given by State or the price created by local market.

[Supervision and administration]

Article 30

(1) The mining superintendents. The mining superintendents, appointed by the competent departments under State Council, are administrative tipstuffs devoting to supervising on mining industry. Mineral authorities of people's governments of provinces, autonomous regions and municipalities directly under the Central Government should engage full time or part-time local mining supervisors to supervise and administer the mine industry and also can authorize the administrative organs under cities and counties to take charge of supervision. The mining superintendents can be accredited to the exploration entities or mining enterprises to implement their duty. The mining superintendents can be accredited to the area where small-scale mines and artisanal mining are centralized or carry out periodical examination or inspection to the area where small-scale mines and artisanal mining are dispersive.

(2) Responsibilities of mining superintendents. The mining superintendents should periodical check and examine the actual scope of exploiting area and exploited mineral resources, check the relevant mineral resource utilization rate and relevant data about the price of mineral resources, inspect the production sites, inspect the land reclamation and restoration of other negative impacts due to the activities of mineral exploitation in their precincts and write supervision report. Mining superintendents must make suggestions on the administrative punishments on those who break the regulations. The administrative punishments shall be determined or transferred to higher level by the administrative organs of mine industry.

(3) The administrative department of safe production. The ministry of labour and social security under State Council takes charge of the working security and sanitation conditions of mining enterprises of whole country. Department of labour at all level are responsible to proceed supervision on the production and other work in the exploration entities, mining enterprises, mining collectives and artisanal mining, to avoid the accidents of injuries and deaths, to eliminate the hidden dangers of occupational diseases related to work in the mine exploitation and mineral separation.

(4) The competent departments of environment protection. The competent departments of environment protection of State should take charge of the detection for solid State, liquid State and gaseous residue; prevent the mine production from polluting and damaging the mining field and circumjacent environment.

Appendix II: CASM-China 2005-2006 Proposal

Communities and Small-Scale Mining

Communities and Small-Scale Mining Regional Network within the People's Republic of China (CASM-China) 2005-2006 Proposal

Prepared by:

Shen Lei, Chinese Academy of Sciences

Aaron Gunson, University of British Columbia

Philip Andrews-Speed, University of Dundee

Background

The Communities and Small-Scale Mining Regional Network in China (CASM-China) aims to bring together a wide range of people involved in artisanal and small-scale mining (ASM) in China, within the context of poverty alleviation and sustainable communities. CASM-China raises the level of awareness and knowledge within the Chinese government and stakeholders of ASM issues and works to stimulate and contribute to a balanced policy debate that addresses issues related to regularisation, environmental protection, health and safety and poverty alleviation.

After being conceived at the Elmina AGM in September 2005, CASM and CASM-China signed a letter of agreement on 16 December 2003. In January 2004, CASM-China held its inaugural meeting in Beijing. A work plan for 2004 was formalized and then implemented, including formalization under the China Mining Association (CMA), building a web-based forum and knowledge center, hosting two local meetings, and inspiring a number of publications and projects.

After successfully implementing its 2004 work plan, CASM-China applied for a further year of funding from CASM. On 6 May 2005, CASM-China signed a new letter of agreement with a new work plan. Part of the funds allocated to the 2005 contract has been withheld by CASM. The first two contracts were signed with Aaron Gunson, a Canadian, primarily in order to expedite the signing of the contract as Aaron Gunson had held World Bank and CASM contracts. All funds received by Aaron Gunson were transferred to CASM-China through Shen Lei. CASM has recommended that CASM-China resubmit this new proposal, covering part of the existing 2005 contract, under the name of Shen Lei, a Chinese national. CASM-China continues to work toward implementing its 2005 work plan.

Objectives, Scope of Work, and Activities

CASM-China, through the direction of Shen Lei, Aaron Gunson, Philip Andrews-Speed and others, proposes to implement the following activities for the

2005-2006 periods, described below. Shen Lei will be in charge of all disbursements and will be responsible for insuring CASM-China undertakes the work plan.

In 2005-06, CASM-China will:

1. Continue to participate in the revision of China's Land Law and Mineral Law and share with and involve CASM;
2. Build an new ASM Committee on the new congress of CMA in October 2005, bringing different levels of officers and experts into CASM-China;
3. Host at least two more local meetings in different rural areas, exploring the diversity of ASM in China while expanding the CASM-China network. The first meeting will be in an ASM area in Fujian Province, with gold and industrial minerals mining, and the second meeting location will be in a poorer western province yet to be determined;
4. Host a session on small-scale mining in China at the "International Conference on Circular Economy and Regional Sustainable Development, Nov. 1-4, 2005," in cooperation with the Chinese Academy of Science
5. Create a toolkit to explain what foreign companies and investors need to know about ASM in China – its legal position, opportunities and challenges;
6. Further develop its web-based knowledge center, including uploading articles on ASM in China and sharing the results of all CASM-China activities;
7. Cooperate with other Chinese organizations, such as the Chinese Academy of Science, the China Society of Natural Resources, the Ministry of Land and Resources, and international organizations like BRGM, and the University of Dundee, to ensure successful ASM projects in China, and;
8. Send a representative to the 2006 CASM Annual Meeting and Learning Event to report on CASM-China's activities.

Under the existing 2005 contract the following activities are being or will be conducted:

1. Participate in the revision of China's Land Law and Mineral Law. CASM-China will form a policy and legal report in English and share them with the CASM Secretariat for comment;
2. Finish its National Policy Paper, a comprehensive ASM policy proposal, and submit it to the government of China;
3. Further develop its web-based knowledge center, including uploading all articles from a Chinese ASM journal since 1996 and sharing the results of all CASM-China activities;
4. Translate ILO ASM safety handbooks into Chinese and hold a joint workshop/learning event at the Changsha Coal Safety Training Center, in cooperation with the ILO;
5. Host a summer intern in cooperation with the University of Vermont;
6. Cooperate with other Chinese organizations, such as the Chinese Academy of Science, the China Society of Natural Resources, the Ministry of Land and

- Resources, and international organizations like BRGM, and the University of Dundee, to ensure successful ASM projects in China, and;
7. Send a representative to the 2005 CASM Annual Meeting and Learning Event in Salvador, Brazil, to report on CASM-China's activities.

Summary

CASM-China met or exceeded virtually all of its goals for its first year, including hosting an inaugural meeting, formalizing under the China Mining Association, building a web site and knowledge center, organizing two local ASM meetings, and sending a representative to the CASM 2004 annual meeting to report on CASM-China's activities. It won a grant from the National Sciences Fund of China and is cooperating with the University of Dundee on a separately funded project. Through its formal position within the China Mining Association, and with cooperation from the Chinese Academy of Science, CASM-China is essentially self-supporting. However, CASM's continuing support will enable CASM-China to implement its own action agenda, especially items 2-5 (completion of the revision of the mining law; field workshops with miners' associations; intelligence briefing for companies and investors on ASM in China), and to help defray costs of CASM China representation at the 2005 CASM AGM in Salvador, Brazil.

Time schedule

The estimated time schedule for the 2005-2006 work plan is the following:

- Initiation of work: June, 2005
- Progress Report: September 10, 2005
- Annual Meeting Report: June 30, 2006
- Report for CASM Annual Meeting: May 31, 2006
- Delivery of the 2005-2006 final report: July 31, 2006

Fee

The services will be paid on a lump sum basis for a maximum amount of USD 15,000 (corresponding to 50 days at a daily rate of USD300.00).

Schedule of payments

- 20% of the total fee has been disbursed at contract signing, in order to facilitate proper launching and implementation of the activities;
- 20% of the total fee will be disbursed upon presentation of a planning for sending a representative of CASM-China to 2005 CASM AGM in Salvador, Brazil;
- 30% of the total fee will be disbursed upon presentation of a planning report for the field workshops, an interim draft of the mining law (ASM component), and a draft outline of the briefing note;

- 20% of the total fee will be disbursed upon presentation of the final workshop reports, and the final draft of the private sector briefing note;
- A final payment of 10% of the total fees will be paid upon reception and approval of the final report, including a report on the status of the mining law reform.

Contact persons

For all matters related to the contract, Mr. Shen Lei (shenl@igsnrr.ac.cn, tel. +86 -10 64889005) will refer to Mr. Jeffrey Davidson (jdavidson@worldbank.org, tel. +1-202-458 8388) or Mr. Gotthard Walser (gwalsen@worldbank.org, tel.: +1-202-473 4234). Other contact persons include Mrs. Amelia Williams (awilliams4@worldbank.org, tel.: +1-202- 473 7211).

Appendix III: A successful case-the Xiaoqingling Gold Mountain

1 Lingbao- an attractive and typical gold rich area of China

The Xiaoqingling Mountain is located at the contiguous area among Henan, Shaanxi and Shanxi provinces, the southeast of famous Qingling Mountain in China. Its core area is in Lingbao city where is a county-level of Sanmen Gorge City in the west of Henan province (see Figure 1). Lingbao is called as ‘a Gold City’ in China, also well-known for its reputations as ‘the Apple Country’ and ‘the origin of Taoism’. Lingbao has the total population of 723000 people in 2004 within the area of 3007 square kilometres, covering 10 towns and 7 villages. In 2003 it was approved as China’s excellent tourist city.

By the end of 2004, 24 mining rights have been issued to ASM, occupying 53.3 percent of 45 mining rights in total in Lingbao City. The ASM employees are 1363, mining 317500 Tons of mine ores and realizing product value of RMB 35.98 million, accounting 3.53 percent of total industrial product value in the city. Although there are 7 kinds of minerals, including gold, iron ore, mineral water, cement limestone rock and other building materials, the product value from the gold mining accounted for one third of total ASM.

Over 30 years the Lingbao has contributed over 4200000 Liang¹ (about 7408 ounces) of gold to China and won continuously the second largest gold producing city in the country over 21 years. Its product value in gold industry occupied 80 percent of GDP in the city. In 1996, when the 19 time large-scale rectification in its history, however, hundreds and thousands of peasant workers were repatriated, 358 mine pitheads were closed up and 9023 pieces of small mining equipments were destroyed.

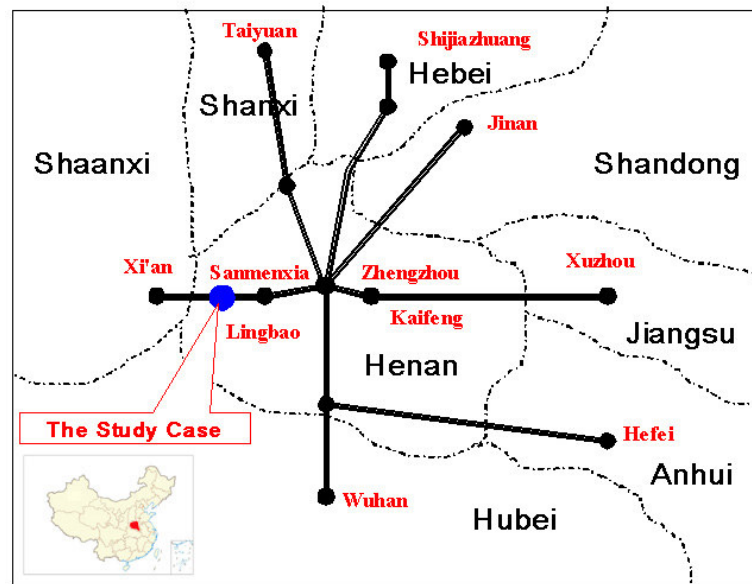


Figure 1 the sketch map on geographic location of Linbao City, Henan province, China

¹ Liang is a unit of weight and equal to 0.05kg.

2 Intercommunication, regularization and standardization- a successful ASM regulation model of China

The Xiaoqingling was ever notorious in its illegal ASM in the late 1990s and early 21st century. But now it has become one of the successful cases in the ASM regulation in China. This manifests the following three aspects.

First, its network system established an arena for mutual supplement and intercommunication. This network includes 8 expedited stations as the center, their subordinated stations as the ‘dots’, all mine enterprises as the ‘lines’, and the mining areas as the ‘places’. This cross and intertwining administrative system is linked to local governments, mine enterprises and community residents.

Second, its regularization created a new and efficient management pattern. Up to date it has set up 21 regulation systems, including the uniform signature system for internal administrative affairs, the trace system for administrative faults, the dynamic visitatorial system for the supervision of executing the laws. It formed the mutual supervision of the Geological Bureau and the stations, the declare system of mine ore allocations and transports for enterprises, and the monthly report system all the time by which each truck has at least one card and one list indicating its allocating and transporting ores and its daily records.

Third, its standardization started up all-round function transformation in mineral administration. The Geological Bureau of Lingbao City changed its fully stopping approach into the combination of both leading and stopping administration thus ensuring the formation of mining supervision in beforehand, midway and afterwards procedures. The beforehand supervision requires strict justifications, application procedures, materials and registrations and approvals for mining rights. The midway supervision combined the approval of allocations and transports of mineral products with the control of enterprise overproductions. The afterwards administration supervised and urged mining rights owners to carry out related procedures in the bankruptcy, ownership transformation, closure and stoppage of mines.

3 Gold resource consolidation- an effective and efficient ASM strategy

By consolidation, the gold industry in Lingbao city created a successful model for the ASM regulation management of other areas in China. This consolidation was carried out according to three steps below: first, 8 local state-owned gold mines were consolidated into three major companies, namely, Lingbao Gold Joint-Stock Company, Jinyuan Mining Limited Company and Lingbao Gold Investment Limited Company, three of which occupied 75 percent gold proven reserves in the Xiaoqingling Mountain area; second, all town and village ownership gold mines were gradually merged into different kinds of enterprises (see more details afterwards); third, different ownerships of enterprises were reorganized by ways of mergers and requisitions. It is well manifested by the case of Shuangxin Gold Ltd. Company in Yuling Town. The Shuangxin company was established by the shares of 55 percent from the Wenyu Gold Mine- an old state-owned large mine of China, 40 percent from

Mr. Guo Gold Mine- a small-scale gold mine, and 5 percent from Henan Gold Company – a province-level of gold administration. The Shuangxin was considered the first united gold enterprise by the large- and small-scale mines in China.

For the second case mentioned above, most enterprises were transformed by the town and village ownership gold mines (see table 1). Almost all those small-scale gold mines realized integrated development by way of consolidation and won great benefits in terms of either socio-economic or resources and environmental indexes. Mr. Guo Xiaohong (see Figure 2), for example, could not but be mentioned here.



Figure 1 Mr. Guo Xiaohong (the third from left) is joining the group photo with CASM-China

Mr. Guo was purely peasant before 1992. Owing to the gold mining, he was become the rich man in his Chengcun village in the late 1990s. In 2004, he contracted with a bankrupt state-owned gold enterprise and provided 200 workers employment except turning in RMB 5 million deposits to previous enterprise annually. In addition, he ran another gold concentrating mill and a comprehensive farmland. Some recreational activities like fishing and tourism are also in progress.

In Chengcun village of Lingbao City, Mr. Guo is playing a leading role in improving rural infrastructure and helping poverty reduction. As an example of Mr. Guo, other people such as Zhao Ziyi, Zhang Jude and Guo Shanshui also ran their own entities. As a result, the city realized profits of 239 million RMB Yuan(about US\$29 million) in 2004, increasing 36.5 percent than that before mine consolidations, producing 530000 Liang annually (about 935 ounces).

Table 1 Several typical ASM transformation cases in Lingbao City, Henan Province, China

Initiator	Name of the enterprise	Date of establishing	Investment (RMB Yuan)	Scales	Benefits
Mr. Guo Xiaohong	Ore Concentrating Mill of Changhong Wells and Lanes Company	March 2005	12 million	Its design scale is the processing capacity of 200 Tons daily within the area of 21000 square meters, including the building area of 3900 square meters, 5 big transport trucks and 2 loading machines.	It is estimated to create annual product value of RMB Yuan 30 million and profits of RMB Yuan 2.8 million, to provide 300 peasants for fixed employment. It will also rebuild 3 kilometers village road for local people.
Mr. Guo Xiaohong	Chengcun West Comprehensive Farmland Development	1992	1.2 million	A wild ravine has been developed into a comprehensive farmland since 1992, planting 8.7 hectares for apple trees, 1.3 hectares for peach trees, 1.3 hectares for almond trees, 1.3 hectares for pear trees, 4 hectares for fast growing poplar trees, 1.3 hectares for vegetable field. A hoggerly was built within the farmland, raising 42 sows and 200 commercial pigs.	About 600 pigs could be sold out annually. The pig manure pit provided 5 stations of methane pools with the capacity of 10 cubic meters. The pools are linked by tunnels for concentrated gas feeding. A one kilometer road was rebuilt with hard surface. In addition, 7 standard sheds will be built for 0.34 hectares vegetable planting. 4 pools will be cultivated for fish feeding and several pavilions and towers will be built for recreational fishing.
Mr. Zhao Ziyi	The Second Mill of Ore Concentrating Experiment	2001	6.5 million	Its design scale is the processing capacity of 150 Tons daily with 2 pits mining 120 Tons gold ore daily.	It arranged over 40 peasants employment and paid RMB Yuan 400000 profit to the State per year.
Mr. Zhang Jude	The First Mill of Ore Concentrating Experiment	2000	8 million	It sets up one concentrating mill and three pits with the capacity of 250 Tons daily	It created the product value of RMB Yuan 20 million and profits of RMB Yuan 2.6 million, arranged 60 peasants employment. It mainly processed low-grade gold ore at less than 3 gram per Ton.
Mr. Guo Shanshui	The iron Powder Agglomeration Mill of Sanlian Company	August 2004	8.9 million	It sets up one concentrating mill of iron ores with the capacity of 200 Tons iron ores and 80 Tons iron powder daily. All iron powders are further processed into the ball iron products with the capacity of 100 Tons daily.	It created the product value of RMB Yuan 26 million and profits of RMB Yuan 3 million, arranged over 100 peasants employment. Its added values from iron powders into ball iron products increased RMB Yuan 120 per Ton.

Source: according to authors' interview on 28 July to 6 August 2005 in Lingbao City of Henan Province, China.



CASM-China Inaugural meeting held on January 5, 2004, in Beijing, China



A workshop at the CASM-China Inaugural meeting on January 5-7, 2004, in Beijing, China



CASM-China (the third and fourth from left: Li Peiji and Shen Lei) with local officers and miners at Tiahang small iron mine in Shahe City, Hebei Province, April 9, 2004



Small China Clay (Kaolin) Mine, Shahe City, Hebei Province, April 10, 2004



CASM-China (from left: Li Peiji and Shen Lei) with local miners and officers at ASM workshop in Chongqing City, September 22, 2004



Qiujiawan Small Coal Mine at Wansheng District in Chongqing City, September 24, 2004



CASM-China (from left: Li Peiji and Shen Lei) with local miners and officers at ASM workshop in Lingbao City, August 4, 2005



CASM-China with the mine owners (from left: Sun Zhishun, Shen Lei, Guo Xiaohong, Li Peiji), August 4, 2005



Shen Lei in the process of 2004 AGM in Sri Lanka, October 14, 2004



CASM-China group photo at the 2004 AGM in Sri Lanka, October 13, 2004



CASM-China joined the field visit in the 2004 AGM in Sri Lanka, October 15, 2004



Shen Lei joined the field visit in the 2003 AGM in Ghana, September 15, 2003