

9th Annual CASM Conference (ACC) “ASM: An Opportunity for Rural Development”, Maputo, September 8–10 and Chimoio, September 11–14, 2009

Update on Certified Trading Chains in Mineral Production



Gudrun Franken

Working Group BGR:

Gudrun Franken, Jürgen Vasters, Gisa Roesen, Frank Melcher, Peter Buchholz, Dirk Küster und Elke Westphale
(Markus Wagner, Nicola Martin)

CTC: background

the general problem:

illegal mining and trade of mineral resources
is a source of finance for violent groups
and contributes to regional instability

CTC background 2007

G8 Summit 2007
Heiligendamm



G8 - RESPONSIBILITY FOR RAW MATERIALS: TRANSPARENCY AND SUSTAINABLE GROWTH

86. the **artisanal and small-scale mining sector** provides important **livelihoods** to many people in developing countries... these activities often are conducted in an **informal manner** and **do not meet minimum social and environmental standards**.

- (therefore, **we**) **support a pilot study**, in co-operation with the World Bank

and its initiatives, **concerning the feasibility of a... certification system** for... raw materials... (with) focus on the artisanal and small scale mining sector...

CTC background



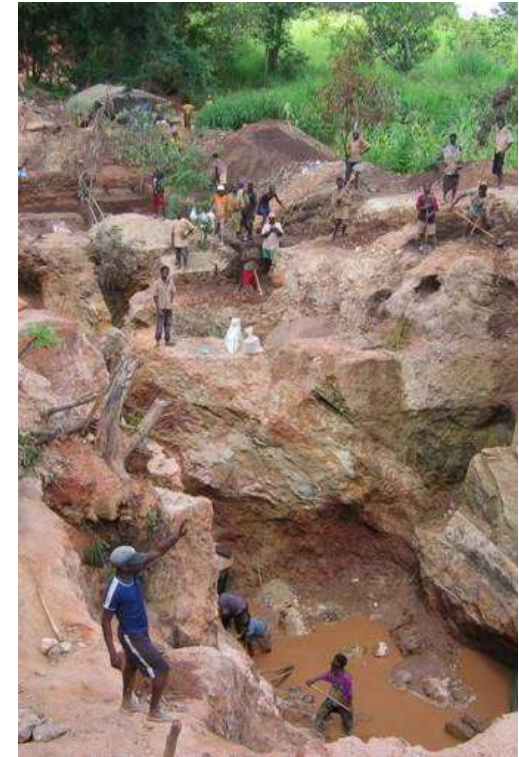
IC/GLR - PROTOCOL AGAINST THE ILLEGAL EXPLOITATION OF NATURAL RESOURCES, 2006

11. member states undertake to establish a **regional mechanism** [...] to serve as a tool for combating the illegal exploitation of natural resources. this mechanism shall institute **accredited standards** as regards natural resource exploitation and shall include provisions on **certification of origin** [...].

CTC dual policy objective:

- utilize mineral potentials in developing countries for the **alleviation of poverty** and the **strengthening of regional stability**
- create **open and fair access** to the worldwide potential of strategic raw materials indispensable to the industrial value chain through creation of a **level playing field**

Tantalite, Mutala, Mozambique



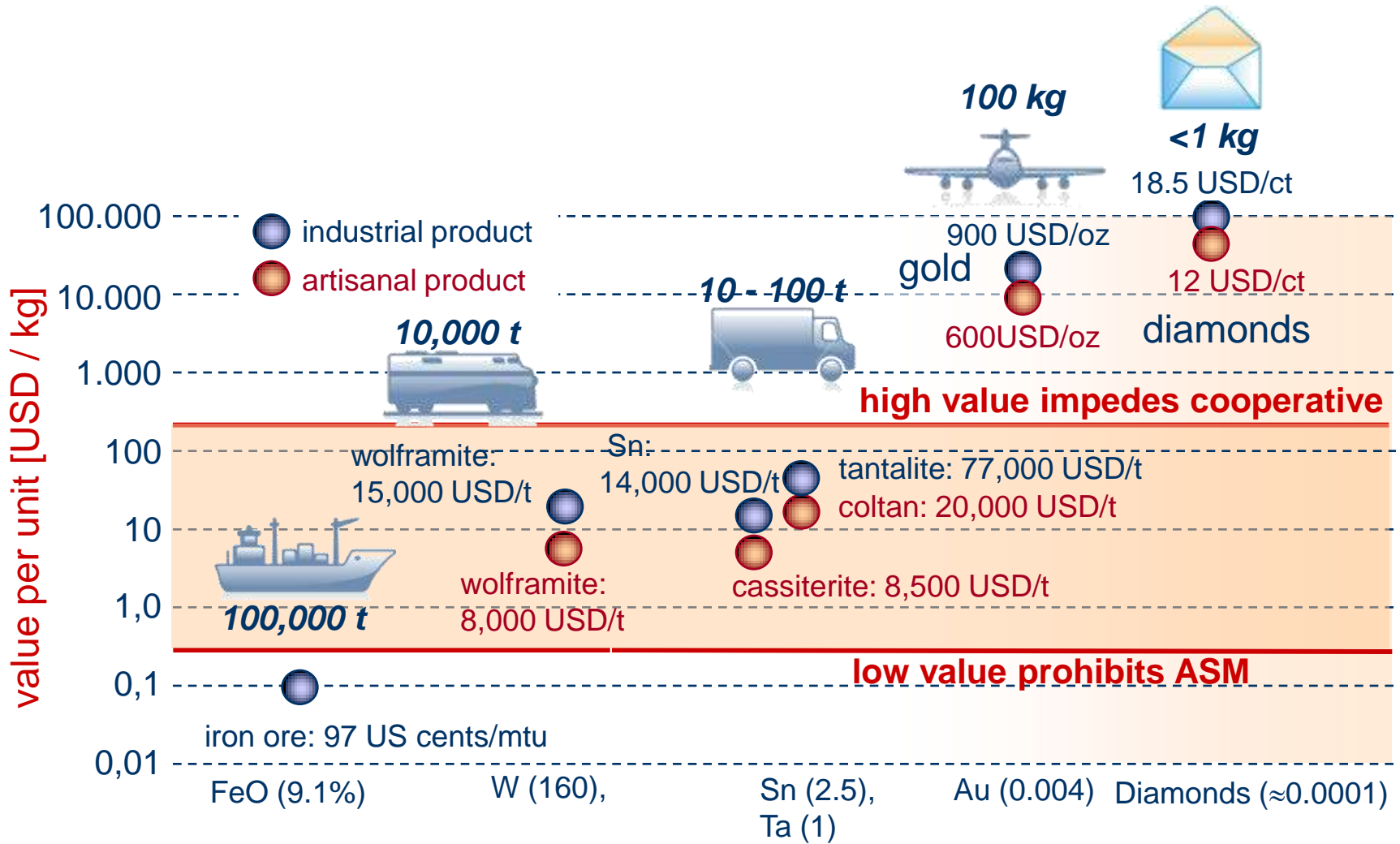
CTC key features:

- focus on industrial commodities, high value metals
- directly link business partners
- certification of specific mine sites
- introduce minimum standards (e.g. OECD) on origin and CSR by voluntary certification adapted to the local context
- implement the CTC concept on a regional / multinational level



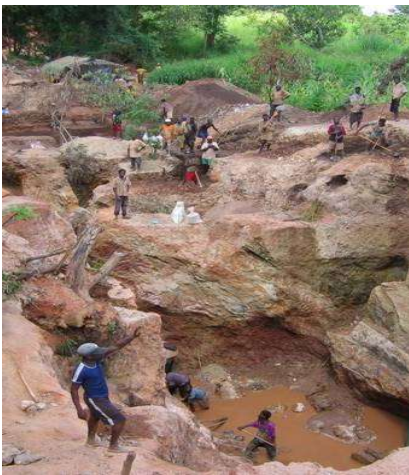
hauling, Kayonza, Rwanda

what minerals? the CTC window

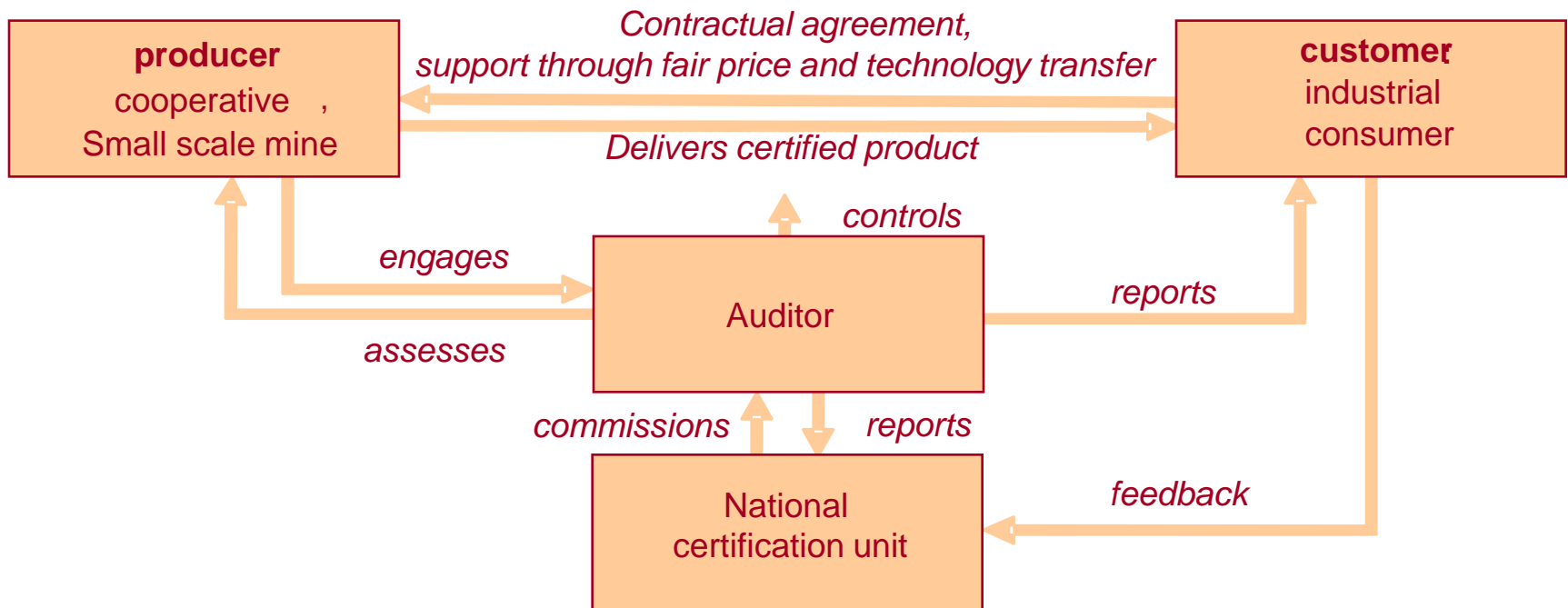


Source: BGR databank

commodity, relative crustal abundance [ppm]



Certified Trading Chains



CTC: principles and standards

CTC: Standards

5 principles	traceability, transparency	labour & working conditions	security	community development	environment
	origin, volume	salary level	capacity	structured dialogue	EIA
21 standards	fiscal obligations	child labour	risk assessment	local business	waste disposal
	revenue transparency	workers organization		integrated support	provision for rehabilitation
	oppose corruption	protective & production means		free, prior informed consent	
		health & safety		gender	
	training		migration		

CTC indicators on salary level

standard 2.1: maintain salary levels equal or greater than those in comparable enterprises

4 = gross salary exceeds those in comparable enterprises

3 = gross salary roughly equal to those in comparable enterprises

2 = gross salary is modestly inferior to those in comparable enterprises

1 = gross salary is significantly inferior to those of comparable enterprises

0 = gross salary payment is irregular and inadequate

what minimum compliance level is requested for certification?

CTC indicators on origin

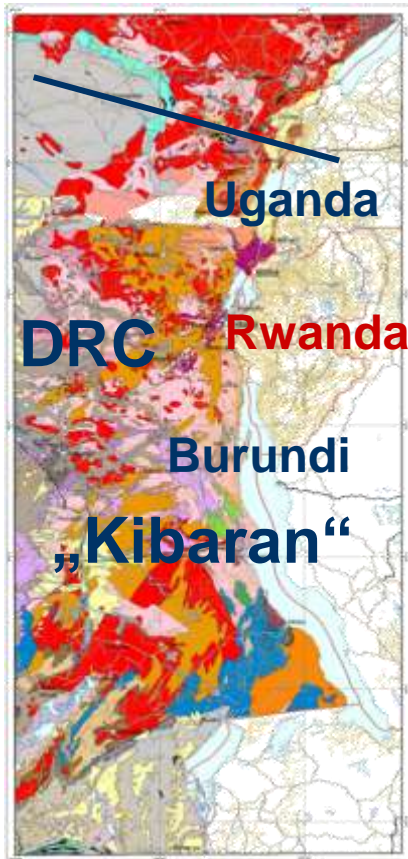
standard 1.1: Origin and production volume of minerals from the pilot mine site throughout the trading chain are traceable.

4 = Producer and buyer declare amount, type and origin of sealed mineral shipment clearly and verifiably at the mine, export and import sites and allow for an independent party to take any mineral samples at any time for fingerprinting

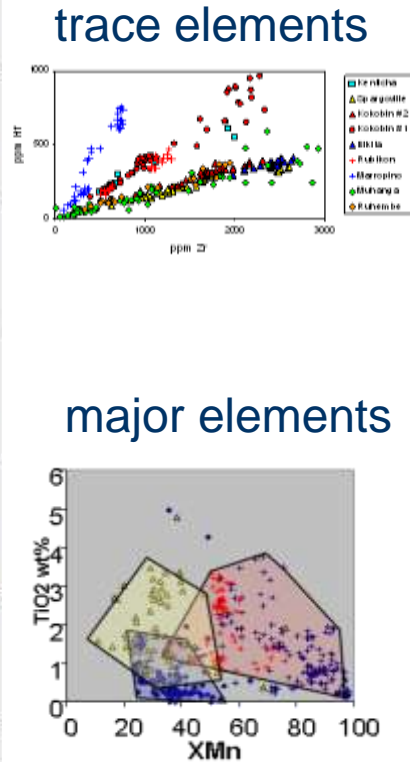
→ analytical fingerprinting for coltan ores

CTC analytical fingerprint for coltan ores

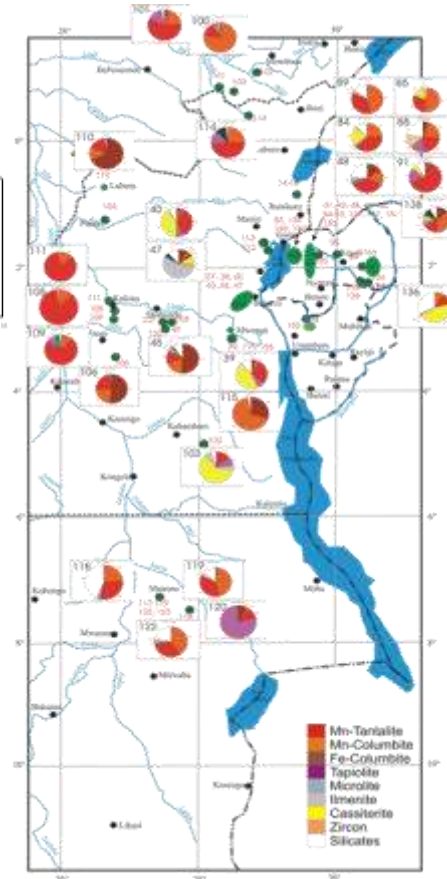
geology



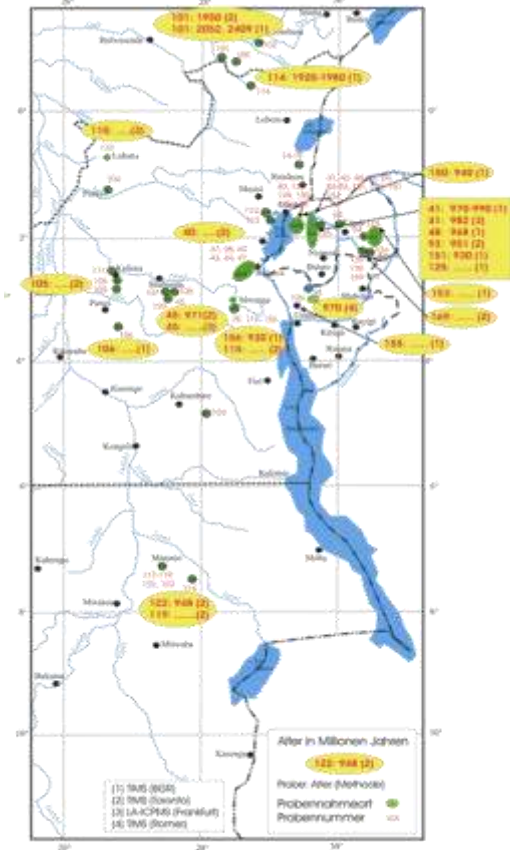
geochemistry



modal mineralogy



radiometric age



CTC: in practice

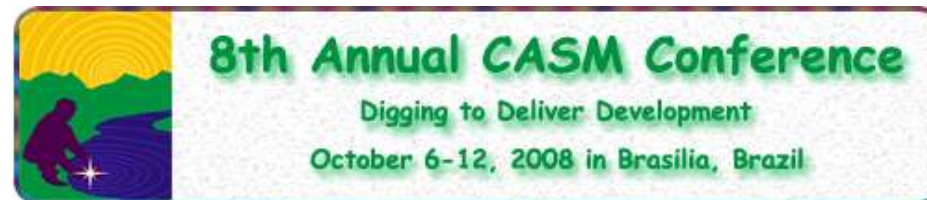
Bilateral projects of German development cooperation

- pilot project certification of trading chains (CTC) for mineral resources in **Rwanda** (BMWi, BMZ through BGR)
- support of a state certification system for mineral resources and support towards the transparent and efficient use of revenues (EITI) from minerals in the **DR Congo** (BMZ through BGR, GTZ)
- pilot project for certifying the origin of coltan (“mineral **fingerprint**” / “coltan signature”) (BMZ through BGR)
- support to the **International Conference on the Great Lakes Region (ICGLR)** for the introduction of a certification process (BMZ through GTZ)

Road Map CTC project: 2008 - 2010

2008

- Concept Study on Implementation of CTC
- Audit for Implementation of int. Standards in Rwanda
- Study on possible links of CTC and EITI
- International Consultation Workshops in Brasil and Germany



“Update on the BGR Pilot Certification Programme”, Pre-Conference Technical and Collaborative Sessions, Workshop 7, October 7, 2008

- Agreement between BGR and OGMR in Rwanda
- Consultations with Rwandan Companies

Road Map; 2008 - 2010

2009

- First **Implementation Workshop**: Operational Planning and Consultation of Standards in Rwanda
- **Base Line Assessment** with Rwandan Pilot Companies, Indicators and Recommendations
- Support for **Implementation (into 2010)**

2010

- **Final Audit** of Pilot Companies
- **Dissemination** of results into the international process, ICGLR (via national representative)
- **Recommendation** for further development, scaling up



Company Participation

Companies in base line assessment (Aug/Sep 2009):

- Natural Resources Development Ltd.
- Gatumba Mining Concession
- Eurotrade International

additional (Oct/Nov 2009, planned):

- Wolfram Mining and Processing
- Pyramides



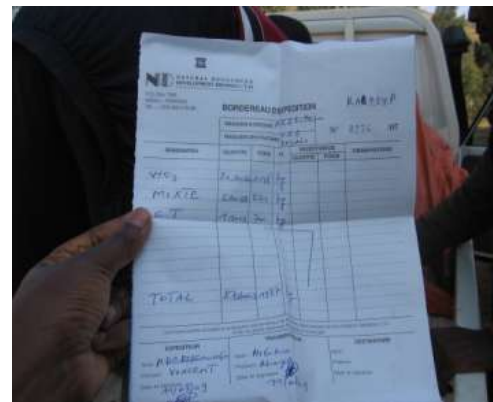
→ together they cover a great part of Rwandan mining

Development of Indicators in Base Line Assessment

Table 6: Indicators for standards relating to Principle 1 of the CTC-standard set

Standard	Indicators
1.1 Origin and production volume of minerals from the pilot mine site throughout the trading chain are traceable.	<u>For both producer and buyer:</u> 1. Declaration documents
	2. Documented procedure
	3. Sight sealed packed mineral for shipment
	4. Shipment documents, including export license
	5. Declaration of production to Min. of Mines
	6. Company records of production (mine source), in country freighting, export
	7. Documented knowledge of characteristics of own mineral material through third party lab analysis
1.2 Meet fiscal obligations required by host government law.	<u>All:</u> 1. Company's own record of remittances to govt
	2. Govt record of remittances received from company
1.3 Publish all payments made to government according to internationally accepted standards.	<u>All:</u> 1. Company records of all publication of remittances sighted
	2. Evidence of publication from independent source sighted
	3. According to international best practice
1.4 Actively oppose bribery and fraudulent payments	1. Policy document sighted
	2. Evidence that all role-players referred to have been made aware of it, minutes of meetings, communication etc.

Development of Indicators in Base Line Assessment



Challenges “on the ground”

- “emerging” mining industry, companies have only been active for some years, mostly have so far only exploration licenses
- marginal producers: direct effect of market prices on production
- Limited capacity for CSR measures and management procedures
- step by step approach for compliance



Challenges “on the ground”

- ensure sustainability on national level: commitment and capacity of governmental organisations to certification process
- Integration of traders in certification scheme
- Differentiate “ethical” production line



Challenges on international level

- strongly committed international partners (international organisations, companies, NGO', etc.)
- coherence of international approaches on Due Diligence (ITRI, EICC, GeSI, OECD-Working Group, EU Task Force)
- development of schemes for scaling up
- widen scope for other resource rich ASM countries



thank you!

for more information:

Gudrun Franken

Bundesanstalt für Geowissenschaften
und Rohstoffe (BGR)

e-mail: gudrun.franken@bgr.de

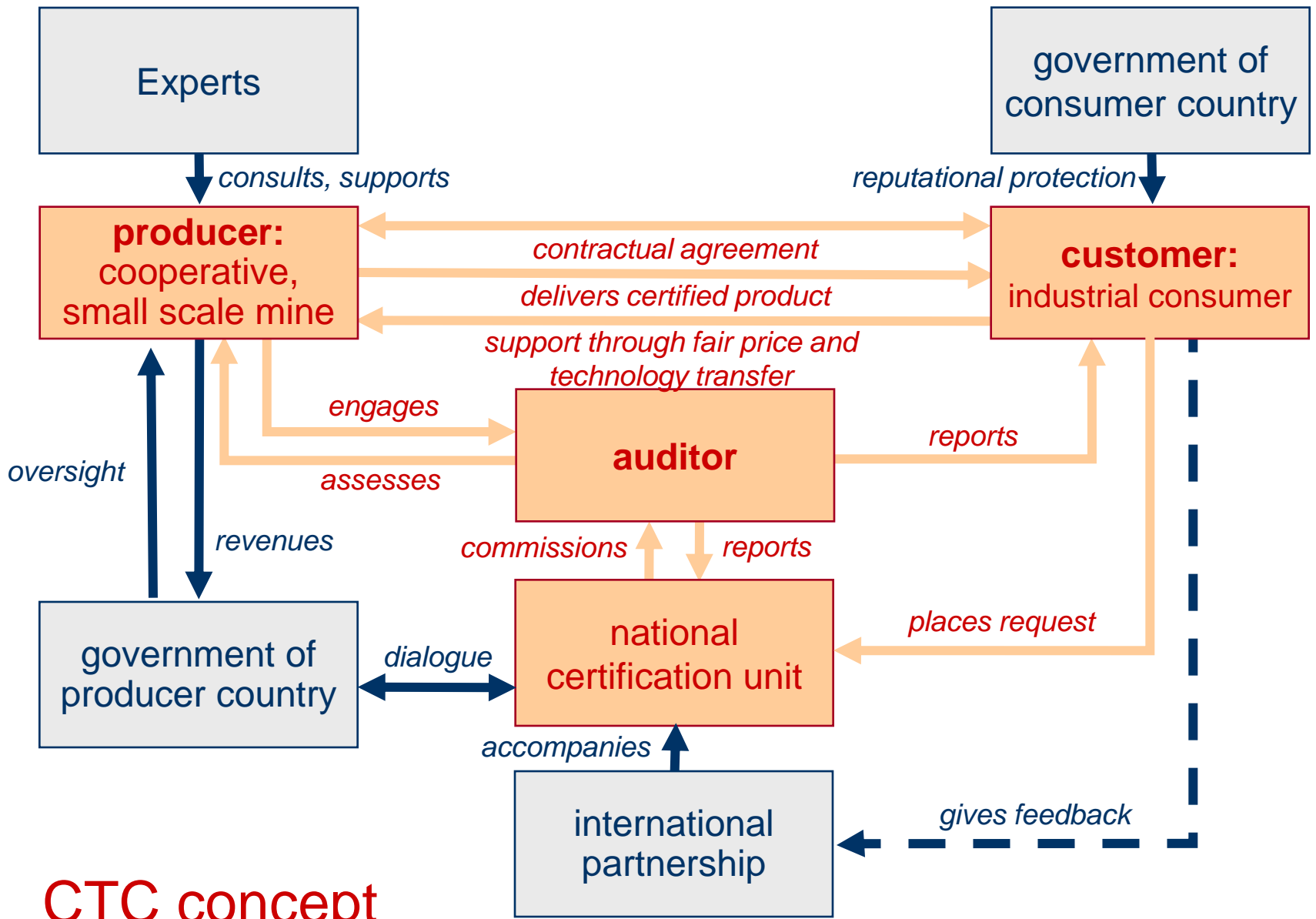


CTC Outlook

Link with international initiatives for Due Diligence in the Supply Chain with respect to high value metals

e.g.

- ITRI (International Tin Research Institute) – Tin Supply Chain Initiative
- EICC-GeSI Supply Chain Mapping Project
- EU Task Force Working Groups on Due Diligence and on Certification:
OECD draft action plan – Promoting responsible investment in weak governance zones through enhanced due diligence



CTC concept

First Findings: Traceability and Transparency

- Documentation of production, sealing and transport, export
- Analysis of characteristics of material
- “Inflow” of material not common, rather “outflow” by (illegal) trading



First Findings: Labour and Working conditions

- Small scale miners organized in “gangs” working on concessions, haphazard mining
- mostly registered, but fluctuating depending on season, health insurance covering employees and contracted workers
- child labor not common



First Findings: Labour and Working conditions

- different levels of training and awareness of workers, depending on communication and community interventions
- payment for subcontracted workers varies depending on world market price, level to minimize “outflow” of material



First Findings: Environmental Management

- because of exploration status of many companies only limited requirements for EIA and EMP
- gaps in government framework on environmental guidelines for mining
- companies have “inherited” liabilities from former producers

