

**International Conference on the Great Lakes Region, Government of Tanzania,
Gesellschaft für Internationale Zusammenarbeit (GIZ) and World Gold Council
Consultation Meeting on Conflict-Free Gold
Dar-Es-Salaam – 6th July 2012**

Draft Summary of the discussions

On 6th July 2012, the World Gold Council in collaboration with the International Conference on the Great Lakes Region and GIZ organized a consultation meeting on conflict-free gold. The meeting gathered participants from the governments of gold producing countries in the region, international institutions and donors; international and local civil society groups; gold mining companies and associations; gold supply chain participants; and experts (including assurance providers).

Several points were discussed during the meeting:

1. Session 1: Global and Regional Initiatives on gold and their relevance and impact on the Great Lakes Region:

In this section, the participants discussed the efforts to control the link between the exploitation and trade in minerals and conflict that are being implemented within the Great Lakes Region. Following the recommendations made during the Lusaka Special Summit to integrate the OECD Guidance within the 6 tools developed by the ICGLR to fight against illegal exploitation of natural resources, several workshops are planned to take place within all the ICGLR Member States to increase their awareness of the OECD Due Diligence Guidance.

More so, it was noted that a regular working group with the OECD exists to discuss issues related to the exploitation of gold. Tanzania, as one of the ICGLR Member States involved in the mining of gold, is a member of that group and is always represented in the meetings.

Another important effort to mention is the gold study, which was carried out by the GIZ, together with IPIS, to analyse the gold mining sector in the Province of Orientale in the DRC. The impact of the study was twofold: political and economic. On the political aspect it assessed the development of an effective regional gold policy as it relates to conflict minerals. Economically, it will improve due diligence mechanisms in sourcing and tracing gold in the Great Lakes Region.

During the discussions, a concern was raised regarding the unintended consequences (e.g. a significant reduction in mining activities) of the application of s. 1502 of the US Dodd Frank Act 2010. Since its application,

individual families relying on the artisanal exploitation of tin, tantalum and tungsten – and to a lesser extent gold - have faced financial hardships due to a boycott of minerals from the region by a number of US-listed companies – especially in the electronics sector. There is therefore a great need to have a more holistic approach in order for legitimate miners to survive in the mining business and to secure continued access to markets. The optimum is to have a system which takes into consideration specific aspects of each country in the Great Lakes Region.

2. **Session 2: World Gold Council Conflict-Free Gold Standard**

In this section, a representative of the World Gold Council (Terry Heymann) gave a brief presentation about the institution and its objectives. The aim of the World Gold Council is to stimulate demand for gold. As part of its remit the Council has been asked by its member companies to develop a process that will allow responsible producers operating in the formal sector to ensure that their activities do not fuel conflict or fund armed groups.

The production of gold is an important source of income for many countries. In Tanzania, the largest producer in the region, gold mining activities have created many job opportunities if supply chain activities are accounted for and, over the life-cycle, will generate significant revenues for the government. Unlike in the DRC the great majority of Tanzanian production comes from the formal sector. In addition formal gold mining is expected to grow significantly in the DRC over the next five years with investments planned by Banro, Rand Gold and Anglo Gold Ashanti. It is important that legitimate gold mining in the region that is able to demonstrate that it is conflict-free should not be disadvantaged in international markets. At this point, it was suggested that African governments be involved and represent their standards.

The World Gold Council recognises all the work and efforts that have been done in the region for the 3Ts. It was suggested that greater attention now needs to be devoted to gold, as the exploitation of this mineral has been identified by the UN Group of Experts on the DRC as one of the principal sources of finance for rebel groups within the Great Lakes Region.

3. **Session3: World Gold Council Conflict-Free Gold Standard - Key benchmarks**

The discussions in this session focused on the content and key benchmarks used for the World Gold Council Conflict-Free Gold Standard. It was noted that greater adherence to internationally recognised processes and standards would contribute to the credibility of the gold mined in the Great Lakes Region. A traceable commodity can create greater confidence about its market access.

The Standard elaborated by the World Gold Council, and involving substantial input from governments, civil society, investors, supply chain participants and the industry reflects the major elements of the OECD Due Diligence

Guidelines. The draft Standard is divided into five sections: the conflict assessment, company assessment, commodity assessment, external sourcing of gold assessment and a statement of conformance documentation. Conformity with *the Standard* will be assured by an independent third party. The criteria for each of the five assessments are referenced from best practice such as the UN Guiding Principles on Business and Human Rights and the Voluntary Principles on Security and Human Rights.

Another focus is the need to have a policy, which promotes transparency in financial transactions related to the mining of gold (e.g. EITI)

Companies should have the right policies and due diligence systems in order to operate responsibly and transparently. It is also important for them to have a whistle blowing mechanism as well as a mechanism to provide redress for complainants. As such, it goes some way beyond the OECD due diligence framework in relation to its requirements of conforming companies. It was noted that both the World Gold Council and ICGLR mechanisms require independent audit/assurance to establish conformance. It is likely that LBMA refiners will look to the Conflict-Free Gold Standard as meeting their substantive due diligence requirements from professional gold mines. To avoid needless duplication it was suggested that the ICGLR might consider applying the final version of the Conflict-Free Gold Standard as its mechanism for the recognition of 'conflict-free' material coming from formal sector gold mines. The ICGLR contribution is therefore important to establish these requirements.

4. Session 4 : Policy implications for the Great Lakes Region and recommendations for large scale miners

Large scale miners are faced with two major concerns: ***the contrat d'amodiation (which designates zones for artisanal miners to mine in industrial concession. A contrat d'amodiation can also designate the renting of a determined area by a company from a concession held by a state owned enterprise)*** and a proliferation of initiatives. There needs to be greater alignment of initiatives on the ICGLR's six tools. Initiatives must take into account the baselines already set by the ICGLR and approved by the ICGLR Heads of State, i.e. the six tools developed to fight against illegal exploitation of natural resources. It was therefore suggested that all initiatives are harmonised and the World Gold Council's Conflict Free Gold Standard be accepted and adopted. The national governments should also assist the large-scale mining and small-scale mining sectors in their respective countries to integrate the standards.

During the discussions, the need to know the cost of implementing each initiative was pointed out if an adverse impact upon the industry's competitiveness is to be avoided. In this regard, it was suggested that the draft

report of the study on the financing of the implementation of the certification mechanism commissioned by GIZ, be made available to all the participants.

5. **Artisanal Mining, Routes to Markets and the Formalisation Agenda**

In their presentations, the DRC representatives gave an overview of the barriers to formalisation of ASM in the country. The major problem resides in obtaining the license for artisanal exploitation. The cost is too high and artisanal miners cannot afford such expenses and, therefore, turn to illegal exploitation. In order to avoid this situation, the Government of the DRC has undertaken to reduce the cost of the licence and allow more extensive exploitation.

6. **Policy implications for the Great Lakes Region**

In this session, participants discussed the possible ways of stopping rebel groups from benefiting from the gold trade, including how central banks can intervene and what the Member States should put in place to increase the revenues generated by and the transparency of the gold trade.

a. **How do we interdict rebel groups from benefiting from gold trade**

Participants were of the view that political measures should accompany the decisions that are made. At the certification level, a tripartite approach such as the creation of verification teams is necessary, i.e. involving the CSO, industry and NGOs. These would verify the origins of the minerals from the mining sites up to the export centres. At the regional level, a regional audit committee was set up; there is therefore a need to put in place an independent mineral chain auditor for the certification to be real.

There is also a need to fight against money laundering revenues from illegal exploitation. In this regard, banks can play an important role in preventing financial flows from illicit mineral exploitation.

Measures to enhance cooperation between Member States should be envisaged. Member States need to make data related to exploitation and production of minerals available and transmit those data to the regional database set up by the ICGLR. It is therefore important to designate a focal point person who will send such data which will, in turn, be compared to the revenues flows and see if they match.

Another possible way to stop rebel groups from benefiting from the gold trade is through the analytical fingerprint laboratory, which was set up by the BGR. This laboratory might help in establishing the origins of minerals that are exploited – but it was noted that this was potentially more difficult in the case of gold and that gold refiners' business model is opposed to segregation and that once newly-mined materials are mixed with each other or with recycled material it becomes impossible to identify the origin of specific consignments.

With regards to formalisation, there is need to put in place sensitization measures to inform artisanal miners and this could be done through the exchange of best practices among other artisanal miners.

Legal harmonisation is another way that could be used. In this regards, Member States need to start with the process of harmonisation of the Protocol on Illegal Exploitation of Natural Resources and domesticate a model law. This however relies entirely on the political will and spirit of cooperation that every Member State needs to demonstrate.

b. What measures can Member States put in place to increase the revenues and transparency of the gold trade?

Several measures were proposed in order to increase revenues from, and the transparency of, the gold trade. As mining is business, incentives should be put forward so that artisanal miners are encouraged to participate in formal mining. It is also essential to harmonise all the initiatives and involve local artisanal miners in every step forward. It was also proposed that pilot projects should be set up in order create replication models that can be implemented in other places.

It was also suggested that a traceability system similar to that operated by ITRI be put in place for the traceability of artisanal gold – although it was conceded that the security and smuggling challenges were rather different as between the two metals.

7. **Recommendations for artisanal mining**

Some recommendations to promote and support legal artisanal mining activities were formulated:

- Every Member State should establish a conducive environment for trade not only on the security aspect but also in regards to justice (contract law).
- In order to increase the importance of the mining of gold, there is a need to combine artisanal miners in cooperatives and to encourage literacy among small producers so that they are better able to understand and deal with regulations that are put in place.
- It is also important to introduce in small scale mining communities concepts of savings and acquiring and managing loans
- There is also need to put in place sustainable infrastructures to enhance the livelihoods of the artisanal mining communities such as roads, hospitals, schools, etc.