

Transparency in the Raw Materials Supply Chain

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International Raw Materials Conference:
Assuming Responsibility – Promoting Sustainability
in the Raw Materials Sector

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PARTNERSHIP AFRICA CANADA
PARTENARIAT AFRIQUE CANADA

Partnership Africa Canada

Canadian non-profit NGO

Promotes sustainable human development in Africa and good governance in the natural resource sector in particular

- investigative research, multi-stakeholder dialogue and collaborative problem solving (ie. implementation)
 - co-founder of Kimberley Process; Diamonds
 - Publish What You Pay (revenues & contracts)
 - ICGLR Regional Certification Mechanism



Kimberley Process

Focal point for efforts to stem the flow of 'blood diamonds'

- potential to mobilise energy and resources
- knowledge and expertise on the diamond trade
- civil society

Pioneering but need to bring the KP into the 21st century!

Transparency is key:

- Mandatory government controls and industry oversight
- Third party audits
- Publication of statistics
- Improved monitoring

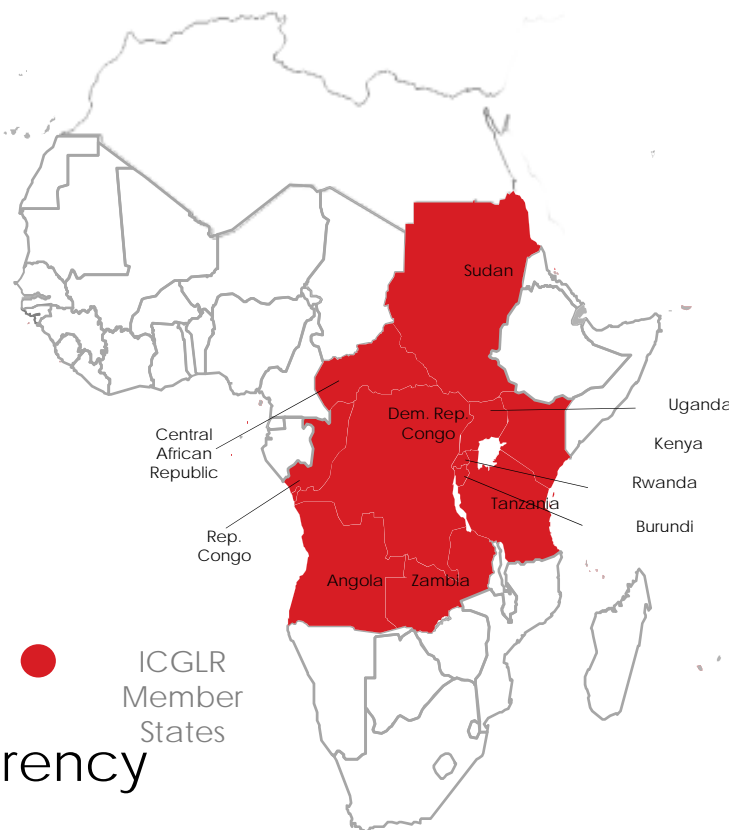
No longer viewed as adequate in and of itself ; need complementary measures (OECD and Public Reporting)



International Conference on the Great Lakes Region (ICGLR)

Twelve countries of Africa committed, via the Lusaka Declaration (2010), to Implement tools to stem the Illegal exploitation of natural resources (applicable to 3TG) including:

- Certification of 3TGs
- Regional Mineral Flows Database



Focused on Upstream Transparency

Implementation is mandatory



OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas



Progressive improvements :

- 100% perfection NOT EXPECTED nor is a uniform standard for all companies at a particular point in time.
- flexible in approach and expects companies to make “reasonable” efforts and proactive improvements over time.

Endorsed by the EU and all European Member States

Voluntary but OECD Guidance already forms the basis of mandatory requirements in place in the US, and has been committed to by ICGLR Member States.

Transparency and Step 5 Reporting



The future of transparency 15 years after the Kimberley Process



- **Transparency** is key to public confidence including publication of relevant data and reporting on (OECD) due diligence
- **Transparency** is crucial along the ENTIRE extractives value chain, upstream and downstream
- **Mandatory systems** allow for consistency, alignment and avoidance of duplication
- Willingness at times, but **assistance or guidance** required (e.g. SMEs)
- **Links to broader objectives:** peacebuilding and socio-economic development priorities and needs



Extractives Industries Transparency Index (EITI) Revenue transparency

- Transparency of payments made by extractive companies to **governments** are key to empowering citizens to hold their governments accountable for how resources are managed.
- Different tools include the EITI and mandatory disclosure laws (US Dodd-Frank, Canadian ESTMA, EU Directives)
- At a broad level, revenue transparency is supported by all stakeholders including industry:
 - E.g. EITI corporate supporters, Canadian mining industry



The Resource Revenue Transparency Working Group (Canada)

- Launched on September 7th 2012 by PWYP-Canada, the Mining Association of Canada, The Prospectors and Developers Association of Canada and the Natural Resource Governance Institute (formerly Revenue Watch Institute)
- **Objective:** to develop a framework for a mandatory reporting mechanism that will require Canadian mining companies to disclose payments made to governments, and promote its implementation to Canadian/provincial legislators and regulators for adoption of mandatory disclosure requirements
- Released a full set of recommendations to the Canadian Government in January 2014.
- In December 2014, the Government of Canada passed mandatory disclosure legislation that came into force on June 1st 2015.



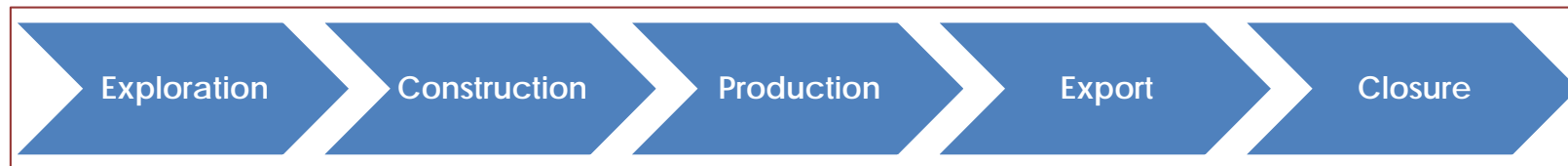
Revenue Transparency

- Benefit to governments:
 - Helps to build capacity to better manage natural resource revenues, including identifying potential uncollected revenue (e.g. Nigeria)
 - Fosters more collaborative relationships with other stakeholders, including industry and civil society
 - Transparency helps to foster greater trust amongst stakeholders
 - Can extend to other important sectors, such as forestry, fisheries, etc.
 - Deters corruption and mismanagement



The future of revenue transparency

- Transparency is crucial along the entire extractives value chain



Examples:

- **Beneficial ownership reporting:** EITI is currently debating this as a full requirement
- **Contract transparency:** More and more contracts are entering the public domain, allowing citizens to understand whether or not they got a fair deal.
- **Budget transparency:** How are resource revenues allocated in the budget?



Thank you

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