



Promoting coherence between standards on responsible mineral supply chains

The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the Extractive Industries Transparency Initiative Standard



Please cite this publication as:

OECD (2020): Promoting coherence between standards on responsible mineral supply chains: The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the Extractive Industries Transparency Initiative Standard

Photo credits: Cover © @Alliance for Responsible Mining.

This document is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries. This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Promoting coherence between standards on responsible mineral supply chains

The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the Extractive Industries Transparency Initiative Standard

The Organisation for Economic Co-operation and Development (OECD)

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD's work on responsible business conduct (RBC) is delivered through the OECD Centre for Responsible Business Conduct (RBC Centre). The RBC Centre, which is part of the OECD Directorate for Financial and Enterprise Affairs, works with governments, business, workers and civil society to promote the implementation of the OECD Guidelines for Multinational Enterprises.

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

The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (the OECD DDG) provides step-by-step recommendations endorsed by governments for global responsible supply chains of minerals in order for companies to respect human rights and avoid contributing to conflict through their mineral or metal purchasing decisions and practices. The OECD DDG may be used by any company potentially sourcing minerals or metals from conflict-affected and high-risk areas, and is intended to cultivate transparent, conflict-free supply chains and sustainable corporate engagement in the minerals sector. The OECD Council adopted the Recommendation on the OECD DDG on 25 May 2011, based on a proposal from the Development Assistance Committee (DAC) and the Investment Committee. More information on the OECD's work in the mining sector can be found at: www.oecd.org/corporate/mne/mining.htm.

The Extractive Industries Transparency Initiative (EITI)

The Extractive Industries Transparency Initiative (EITI) is the global standard to promote the open and accountable management of oil, gas and mineral resources.

Guided by the belief that a country's natural resources belong to its citizens, the EITI has established a global standard to promote the open and accountable management of oil, gas and mineral resources. The EITI Standard requires the disclosure of information along the extractive industry value chain from the point of extraction, to how revenues make their way through the government, and how they benefit the public. By doing so, the EITI seeks to strengthen public and corporate governance, promote understanding of natural resource management, and provide the data to inform reforms for greater transparency and accountability in the extractives sector. In each of the 54 implementing countries, the EITI is supported by a coalition of government, companies and civil society.

About this study

This study aims at identifying and better understanding the theoretical linkages and operational complementarities between two initiatives in the mining sector: the EITI and the OECD DDG. The overall objective is to determine how the OECD and EITI can improve the impact and reach of both initiatives, in terms of supply chain management and reporting.

This study was developed by Synergy Consulting Ltd under the direction of Louis Maréchal (RBC Centre) through qualitative research methods, including a literature review, desk-based research and semi-structured interviews, conducted between October and December 2019. 17 interviews spanning representatives of the extractive industry, consultancy, academia, civil society organisations, governments and international organisations were conducted in 2019. Table 1 in Annex A summarises the interviews undertaken over the course of the study.

Table of contents

Acronyms	5
Executive Summary	7
1 Introduction	11
2 Overview of the two standards' characteristics	13
2.1. The Extractives Industries Transparency Initiative	13
2.2. The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas	15
References	19
3 Linkages between the two standards	20
3.1. Contributing to an enabling environment for responsible sourcing	21
3.2. Ensuring that transparency across the mineral supply chain lessens corruption	24
3.3. Leveraging the private sector via the supply chain dynamics	25
3.4. Fostering greater data collection and promoting the formalisation of ASM	27
3.5. Empowering civil society	32
3.6. Outreach to local communities: enhancing public support	33
3.7. Advancing gender equality and women's rights in natural resource governance	33
References	35
4 How to operationalise the complementarities	37
4.1. At the global level	37
4.2. At the national level	39
References	41
Annex A. List of stakeholders' interviews	43
Annex B. Further reading	44
Web sites (non-exhaustive)	45
Tables	
Table 2.1. High-level comparison between the two initiatives	13
Table A A.1. List of stakeholders' interviews	43

Figures

Figure 2.1. Roll-out of the EITI	14
Figure 2.2. Countries adhering to the EITI, adhering / endorsing the OECD DDG and with high prevalence of ASM	18
Figure 3.1. List of potential topics for operational complementarities between the OECD DDG and the EITI	20

Boxes

Box 2.1. What are the benefits of EITI?	14
Box 2.2. The materiality threshold	15
Box 3.1. OECD DDG – recommendations on evidence to gather (OECD)	21
Box 3.2. Inclusion of EITI reporting norms in industry programmes which have incorporated the OECD DDG recommendations	22
Box 3.3. Corruption risks along the supply chain: the example of cobalt and copper sourcing from the DRC	25
Box 3.4. London Metal Exchange's (LME new responsible sourcing strategy is grounded in the OECD DDG and impacts LSM as well as ASM.	27
Box 3.5. Advancing Transparency in ASM and Mineral Supply Chains in the Great Lakes Region	29
Box 3.6. Case study: EITI as a platform for dialogue on ASM in Myanmar	31
Box 3.7. Women miners on the MSG in Burkina Faso	34

Acronyms

ALG	Autorité du Liptako–Gourma
ARM	Alliance for Responsible Mining
ASM	Artisanal and small-scale mining
BO	Beneficial Ownership
CAHRAS	Conflict-affected and high-risk areas
CRAFT	Code of Risk-mitigation for Artisanal and small-scale mining engaging in Formal Trade
CSO	Civil Society Organisation
OECD DDG	OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
DMCC	Dubai Multi Commodities Centre
DRC	Democratic Republic of the Congo
EITI	Extractive Industries Transparency Initiative
ESG	Environmental, Social and Governance
EU	European Union
FATF	Financial Action Task Force on Money Laundering
GIABA	Inter-Governmental Action Group against Money Laundering
ICA	International Copper Association
ICMM	International Council on Mining and Metals
IGF	Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development
IMF	International Monetary Fund
ITSCI	International Tin Supply Chain Initiative
LBMA	London Bullion Market Association

LME	London Metal Exchange
LSM	Large-scale mining
MSG	Multi-stakeholder group
NGO	Non-Governmental Organisation
OECD	Organisation of Economic Cooperation and Development
RBC	Responsible Business Conduct
RMI	Responsible Minerals Initiative
NGO	Non-Governmental Organisation
UN	United Nations

Executive Summary

This study aims at identifying and better understanding the theoretical linkages and operational complementarities between two initiatives in the mining sector: the Extractive Industries Transparency Initiative (EITI) and the Organisation for Economic Co-operation and Development (OECD) *Due Diligence Guidance for Responsible Mineral Supply Chains from Conflict-Affected and High-Risk Areas* (OECD DDG). The overall objective is to determine how the OECD and EITI can improve the impact and reach of both initiatives, in terms of supply chain management and reporting, as well as public communication and advocacy.

The EITI sets a global standard for the good governance of oil, gas, and minerals resources. The EITI Standard requires the disclosure of information along the extractive industry value chain, such as how extraction rights are awarded, how revenues make their way through the government and how these revenues benefit the public. In each of the 52 implementing countries, a multi-stakeholder group (MSG) comprised of representatives from government, companies and civil society is established. MSGs oversee EITI implementation and produce annual EITI Reports at the national level. Importantly, the EITI Standard expects supporting companies to disclose their payments to governments whether they are operating in EITI implementing countries or not.

The OECD DDG provides detailed recommendations to help companies respect human rights and avoid contributing to conflict through their mineral purchasing decisions and practices. The OECD DDG cultivates transparent mineral supply chains and sustainable corporate engagement in the mineral sector. It aims at enabling countries to benefit from their mineral resources, whilst preventing the extraction and trade of minerals from becoming a source of conflict, human rights abuses, and insecurity. The OECD DDG is for use by any company potentially sourcing minerals or metals from conflict-affected and high-risk areas. The study identifies and describes seven topics for operational complementarities between the OECD DDG and the EITI:

Contributing to an enabling environment for responsible sourcing: The OECD and EITI share the overarching goal of improving the governance of the minerals sector and preventing corruption and mismanagement of mineral resources. The EITI Standard and the OECD DDG complement each other since (i) they both provide a disclosure framework for companies to ensure that transparency across the mineral supply chain lessens corruption and conflict in extractive operations and (ii) they both consider transparency as a tool to empower stakeholders. The EITI focuses on empowering civil society to monitor the practices of key players and demand accountability for violations of regulations, while the RBC Centre pushes for more leverage by downstream supply chain actors on their suppliers. The OECD DDG for instance directly references the EITI Standard, recommending companies to disclose payments made to governments and other actors according to the EITI Standard. The study team identified two key areas that the RBC Centre and the EITI can explore to further contributing to an enabling environment for responsible sourcing: (i) reinforcing the organisations' mutual reach and (ii) carrying out further work in common around the topic of beneficial ownership.

Ensuring that transparency across the mineral supply chain lessens corruption: The OECD and the EITI both participate in global efforts to ensure that transparency across the mineral supply chain lessens

corruption and tax evasion. While the EITI fights corruption and works with relevant schemes to strengthen the responsibilities of key stakeholders in promoting integrity, the RBC Centre is developing a "frequently asked question" document to further support the identification and mitigation of corruption risks along the entire extractive value chain.

Leveraging the private sector via the supply chain dynamics: While the EITI reporting requirements are often only applicable to LSM operations due to the materiality thresholds, the OECD DDG, on the other hand, addresses a wider range of supply chain stakeholders, reaching both upstream and downstream actors, and including both LSM and ASM operations. The OECD DDG's holistic approach to the supply chain could act as a powerful leverage from downstream actors and encourage upstream actors to better comply with due diligence requirements and publish more detailed reports. Awareness raising efforts on the benefits of applying EITI norms might further foster this leverage.

Fostering greater data collection and promoting the formalisation of ASM: The EITI increasingly seeks to encourage governments to include ASM data in their reporting to provide a more comprehensive picture of the contribution of the extractive sector to the economy. The RBC Centre is involved in various activities to support ASM formalisation globally and enable responsible sourcing of ASM products, in cooperation with the private sector. The study team identified that data collected as part of the OECD DDG step 5 annual reporting by companies could complement the information gathered by EITI countries and thus reinforce EITI's contribution to the formalisation of the sector. Even though challenges related to data collection on ASM exist, this research identified several institutional complementarities that the RBC Centre and the EITI could build upon, such as the development of a clearer framework for government to report revenues stemming from the ASM sector.

Empowering civil society: Both organisations recognise the crucial role of civil society in ensuring supply chain transparency and creating awareness about potential mismanagement of revenues being generated. The study team identified that civil society should be further involved in other issues discussed in this paper, such as the fight against corruption.

Outreach to local communities: In order to improve its reach at the local level, subnational implementation of the EITI is increasingly encouraged and the EITI board plans to further support the mainstreaming of EITI data to provide access to clear, reliable, timely and useful extractives information at the local level. In parallel, in the DRC, local multi-stakeholder monitoring committees were set up to carry out risk assessments in areas where artisanal production occurs, in line with the OECD DDG recommendations. These parallel activities present clear synergies to be further explored.

Advancing gender equality and women's rights in natural resource governance: The 2019 EITI Standard requires MSGs to consider gender balance in their representation and to disclose employment data by company, gender, and occupational level. Conversely, the RBC Centre urges stakeholders to support and report on the development of concrete initiatives in different mineral supply chains to advance gender equality, women's rights, and gender responsive due diligence. Ensuring women are represented in all joint activities will be important to fulfil both organisations' ambitions in this area.

Recommendations for future engagement:

The research developed recommendations building on the key findings mentioned above and provides avenues for reflection on how to operationalise the complementarities identified in this report both at an international and local level.

At the global level, the EITI and the RBC Centre could work together to further explore their complementarities, thus reinforcing their mutual reach and the involvement of key partners. A recommended specific activity is for the EITI and the RBC Centre to carry out regular checks and joint brainstorming exercises.

At the national level, both organisations could (jointly or independently) carry out several actions such as collaborating with governments, industry and partners towards the formalisation of ASM by bridging the data gap and aligning technical support, as well as engaging more specifically with EITI National Permanent Secretariats and MSGs and enhancing civil society capacity building and engagement.

1 Introduction

At the end of the 1990s and early 2000s, research demonstrated how countries with important natural resources reserves did not benefit from them and were entrenched in a circle of increased poverty, corruption and conflict. In many countries, while mineral resources would have the potential to drive economic and social development, it instead led to more instability due to low governance, lack of appropriate regulations surrounding the mineral sector, and, when regulations were in place, lack of application and enforcement of these regulations. Thus, governments and communities often did not gain from the benefits of mineral production, trade and export. Moreover, in countries where governments lack full control over their territory or adequate systems to monitor mining activities, instances of illegal exploitation of mineral resources and mineral smuggling led to more instability in the region.

Global efforts have since emerged to address these issues. It is generally recognised that a multi-stakeholder approach that recognises the respective roles played by the private sector, state actors and civil society is essential to tackle such complex challenges. This multi-stakeholder approach is reflected in a range of principles, guidelines and frameworks adopted at international and national levels to regulate and provide support for business actors operating in complex environments. Among these are the OECD DDG and the EITI.

The EITI was created in 2003 and initially consisted of a set of principles focused on revenue collection. It evolved to become an international standard covering the wider governance of extractive resources (mine, oil and gas). In short, the EITI aims to bring more transparency and accountability in the extractive sector as it requires the disclosure of information along the extractive industry value chain, from how the exploration and extraction rights are awarded to how revenues are collected and how they benefit the public. While the EITI has traditionally focused on large industry players due to the “materiality threshold”, it nonetheless recognises that in certain countries, artisanal and small-scale mining does represent a large amount of the production and potential revenues that should also be accounted for.

In 2011, the OECD Council adopted the Recommendation on the OECD DDG. The OECD DDG provides step-by-step recommendations for companies to respect human rights and avoid contributing to conflict and other financial crimes through their mineral or metal purchasing decisions and practices. The OECD DDG may be used by any company potentially sourcing minerals or metals from conflict-affected and high-risk areas, and is intended to cultivate transparent, conflict-free supply chains and sustainable corporate engagement in the minerals sector. The OECD DDG provides companies with recommendations on how to identify and respond to risks of specific adverse impacts, including human rights abuses, conflict finance, bribery, fraudulent misrepresentation of the origins of the minerals, money laundering and payment of taxes, fees and royalties due to governments.

When dealing with risks associated with non-payment of taxes, fees and royalties due to governments, the OECD DDG specifically refers to the EITI. While EITI Guidance Note 21, on the coverage of artisanal and small-scale mining under the EITI, specifically refers to the OECD Responsible Business Conduct instruments, including the OECD DDG.

This study recognises that in order to achieve impact on the ground, international standards and norms like the EITI and the OECD DDG need to be coordinated and build on each other’s achievements and lessons learnt. Therefore, the study aims to identify and understand the theoretical linkages and operational complementarities between the EITI and the OECD DDG. The overall objective is to determine how the

OECD and the EITI can improve the impact and reach of both initiatives, be it at supply chain management level, reporting level or with regard to public communication and advocacy. This analysis should lead to the identification and formulation of concrete recommendations on opportunities for alignment and joint management across institutional structures and stakeholder groups globally and at national level. This study does not aim to explore EITI-OECD synergies that are already being explored in the framework of the policy dialogue on natural resource-based development.¹

This exercise begins with a rapid overview of each standard's origins, ambitions, achievements and the broad implementation challenges they might be facing. It continues with an outline of the linkages between the two standards and the potential operational complementarities that can be found within them.

The report ends with a set of practical recommendations to operationalise these complementarities at global, international and local levels in order to reinforce efforts on the ground to implement good practice in the area of responsible business conduct in mineral supply chains. It is designed to gain currency in future stakeholder engagements that proponent organisations will implement, as a basis for creating common advocacy activities and further thinking to deepen those pre-identified linkages. It is intended as a springboard for discussion and closer collaboration, towards the mutual reinforcement of the two standards (and their proponent organisations), based on a clear understanding of how they can complement each other in practice.

¹ OECD (n.d), Policy Dialogue on Natural Resource-based Development (PD-NR), webpage, www.oecd.org/dev/natural-resources.htm.

2 Overview of the two standards' characteristics

The two standards have a different focus and different implementation drivers, but also similarities and complementarities. The below table provides a high-level description of both standards' key characteristics.

Table 2.1. High-level comparison between the two initiatives

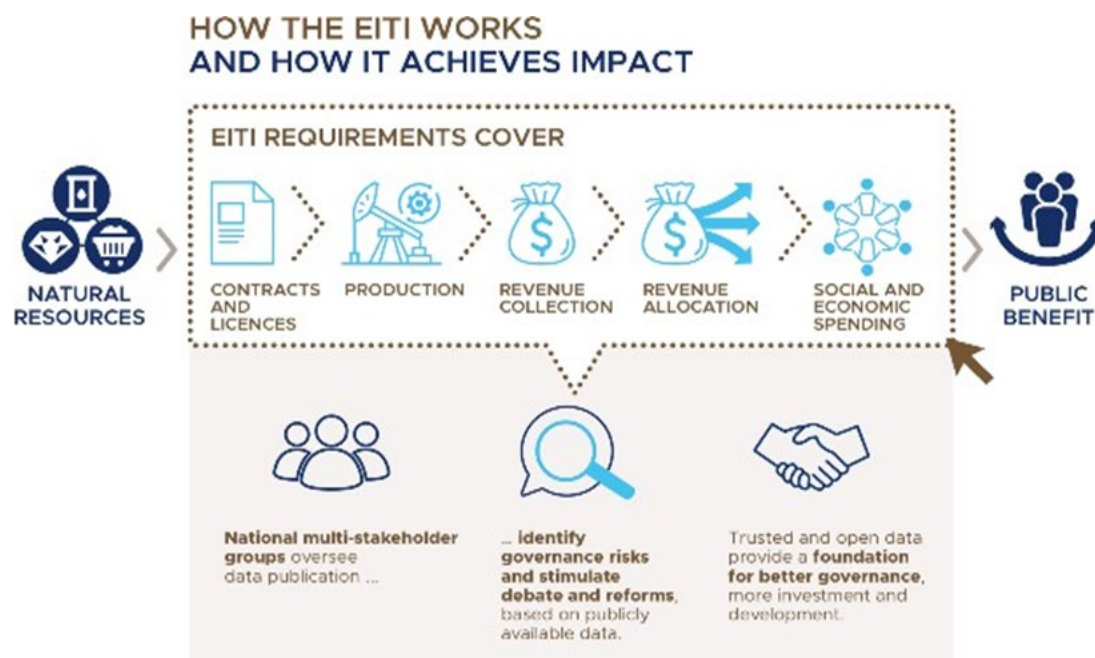
	EITI	OECD DDG
Geographical scope	Global scope with activities in member countries	Global scope for all mineral supply chains from CAHRAs
Commodities	Oil, gas and mining sectors	Primarily mineral supply chains, including ASM, but applicable to all mineral resources, including oil and gas
Key stakeholders	Primarily directed at governments – companies are asked to support efforts from the government. Traditional focus on extractive industrial companies (and formal payments), and mostly large-scale, due to the materiality threshold. The multi-stakeholder structure at the country and international level aims to create a balance between the three stakeholders (i.e. important role of civil society).	Directed at all actors of the supply chain, i.e. all operators involved in the extraction, transport, handling, trading, processing, smelting, refining and alloying, or selling of minerals. The role of governments and civil society is also indispensable in supporting conditions favourable to improved due diligence, particularly for ASM.
Principle focus and drivers	Disclosure of revenues and payments to governments Transparency, corruption Public reporting Multi-stakeholder dialogue approach	Human rights, conflict financing and other financial crimes Private sector supply chain leverage Risk assessment and risk mitigation Public reporting and transparency Multi-stakeholder dialogue approach
Implementation platforms	Provides a policy platform to encourage multi-stakeholder dialogues at international, national and subnational level	Companies are responsible for their own due diligence. While there are no formal national implementation platforms or international networks of OECD representations, there are DDG-inspired multi-stakeholder networks (e.g. multi-stakeholder monitoring committees in the Great Lakes region).

Source: Authors of this report

2.1. The Extractives Industries Transparency Initiative

The **Extractive Industries Transparency Initiative** sets a global standard for the good governance of the oil, gas and mining sectors. It requires the disclosure of information along the extractive industry value chain (as defined by the World Bank), from how extraction rights are awarded to how revenues make their way through the government and how they benefit the public (EITI, 2019a). Its traditional focus has therefore been on formal payments made by industrial extractive companies to governments, with the aim of preventing revenues from taxes or mining royalties from state actors or private companies being lost in corruption channels. In each of the 54 implementing countries, a multi-stakeholder group (MSG comprised of representatives from government, companies and civil society) is established to oversee EITI implementation and produce annual EITI Reports at the national (and subnational, in some countries) level.

Figure 2.1. Roll-out of the EITI



Over the years, new disclosure requirements were added to the norm, such as those related to environmental, social and gender impacts, beneficial ownership, contract disclosure or the quantification of informal sector activities, in a further attempt to ensure that the necessary reforms in sector management take place and strengthen corporate reporting (notably by introducing the notion of “project level reporting”). EITI data are generally used to foster public debate, inform legal and fiscal reforms, strengthen tax collection, track revenue distribution, create financial models, monitor contracts, clarify investment environment, inform credit and environmental, social and governance (ESG) ratings and identify corruption risks (EITI, 2019a). The EITI is increasingly becoming a legal requirement both in implementing countries and OECD countries (such as Canada and the UK). Importantly, there is an expectation (not a requirement) in the EITI Standard that supporting companies disclose their payments to governments whether or not they are operating in EITI countries or required to do so by their home governments.

Box 2.1. What are the benefits of EITI?

According to the EITI website, the benefits for governments, companies and civil societies are the following (EITI, 2020):

- Governments benefit from following an internationally recognised transparency standard that demonstrates commitment to reform and anti-corruption, and leads to improvements to the tax collection process and enhanced trust and stability in a volatile sector. It thus helps to attract responsible investors, i.e. investors with good management of environmental and social impacts and job creation, adequate anti-corruption policies, etc.
- Companies benefit from a level playing field in which all companies are required to disclose the same information. They also benefit from an improved and more stable investment climate in which they can better engage with citizens and civil society. This increased stability, encourages long-term investment in production – and thus improves the reliability of supply.
- Citizens and civil society benefit from receiving reliable information about the sector and a multi-stakeholder platform where they can better hold the government and companies to account.

Box 2.2. The materiality threshold

In the context of the EITI, materiality levels or thresholds are set by the national MSG to determine what size companies should report under the EITI and/or which revenue streams should be disclosed. These thresholds were created as it would be too burdensome for EITI reports to cover every transaction between the government and the extractive sector².

The EITI has become a recognised brand and has played a **crucial role in promoting and legitimising transparency as an international norm of governance** as well as greater reporting by private and state-owned companies around the world. It has also successfully set up standards for auditing and reporting and implemented a novel and effective model of “tripartite” governance between governments, companies and CSOs. The **set-up of the national platforms** has helped to provide more structure among each of these groups. It has also strongly benefited companies and CSOs and is considered as an important achievement of the EITI. In some countries, the multi-stakeholder dialogue prompted by the EITI process has enhanced discussion and cooperation with local communities, which has helped to reduce risks for companies (CMI, 2016).

The challenges raised by the implementation of the EITI process at national level vary from one country to another. They may fall broadly under four categories, already outlined in 2016 (EITI, 2016) and reiterated during interviews for this report:

1. To integrate the EITI into government systems
2. To use information to turn recommendations into reforms
3. To identify who owns companies and who benefits
4. To ensure better participation by implementing governments and their citizens.

Additional tools have been introduced in the EITI 2016 and 2019 Standards to address these challenges. Countries are required to disclose subnational-level data and a number of EITI-implementing countries have implemented subnational versions of EITI multi-stakeholder groups.

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

Established in 1961 and based in Paris, the OECD is an international organisation of 37 member nations, which promotes democracy, socio-economic development, free markets and world trade. It functions as a global forum, research and knowledge hub, consisting of various committees and working parties, with a focus on policy design and peer-reviewed policy implementation.

Since inception, the OECD has set over 450 international standards, including the OECD DDG, introduced in 2011. In line with the UN Guiding Principles on Business and Human Rights (the UNGPs), the OECD DDG helps companies to respect human rights and avoid contributing to conflict through their mineral sourcing practices. The Guidance cultivates transparent mineral supply chains and sustainable corporate engagement in the mineral sector, enabling countries to benefit from their mineral resources, whilst preventing the extraction and trade of minerals from becoming a source of conflict, human rights abuses and insecurity

² EITI Requirement 4.1.a stipulates: “Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the EITI Report.”

(OECD, 2011). It provides detailed recommendations to help companies to respect human rights and avoid contributing to conflict through their mineral purchasing decisions and practices. The OECD DDG is for use by any company potentially sourcing minerals and metals from CAHRAs.

More specifically, the OECD DDG provides:

1. an overarching due diligence framework for responsible supply chains of minerals from CAHRAs
2. a model mineral supply chain policy providing a common set of principles
3. suggested measures for risk mitigation and indicators for measuring improvement which upstream companies may consider with the possible support of downstream companies
4. two supplements on tin-tantalum-tungsten (3Ts) and gold tailored to the challenges associated with the structures of these minerals' supply chains.

The OECD DDG has a **well-developed framework**, which is becoming increasingly entrenched in global standards and practices as well as the reference point for a number of national or regional regulatory initiatives. The governments of Burundi, the DRC, and Rwanda have integrated it into their legal frameworks. In 2012, the US Securities and Exchange Commission recognised the OECD DDG as an international framework for due diligence measures undertaken by companies that are required to file a conflict minerals report under the final rule implementing section 1502 of the Dodd-Frank legislation. In May 2017, the European Union adopted Regulation (EU) 2017/821. The Regulation lays down supply chain due diligence obligations for Union importers of 3T, their ores, and gold originating from CAHRAs in accordance with the 5 steps of the OECD DDG. It has greatly contributed to a human rights supply chain approach that has reshaped market regulation over the last decade.

While it is applicable to all mineral resources, including oil and gas, the OECD DDG primarily refers to “minerals’ supply chains”. Practically, its geographical scope has also broadened from a focus on the African Great Lakes Region to a more global focus on high-risk areas, including South America, Asia and West Africa, and with a growing participation from OECD member states.

The OECD DDG has notably enjoyed numerous successes in raising the profile of ASM. ASM has long been associated with “conflict minerals”, but the OECD DDG has helped to add better nuance to this thinking, towards realisation of a formal ASM sector that is both possible and highly beneficial for livelihoods (for instance, through the work carried out with the UN agencies in the context of the Minamata Convention, the World Bank – including DELVE – or on the CRAFT code).³

However, the global context around responsible sourcing calls for more involvement of LSM stakeholders in both the OECD responsible mineral supply chain space and the OECD DDG’s implementation. Another concern relayed during interviews for this report relates to expectations and levels of consistency for the risk assessments and the annual due diligence reports recommended to the industry in the OECD DDG. Another challenge relayed during the interviews is the current lack of formal, national OECD DGG implementation platforms and an international network of OECD representations (in particular in mining countries), limiting the OECD DDG’s roll-out. It should also be noted that both mechanisms (the EITI and the OECD DDG) are increasingly under pressure to cover a wider range of issues – notably environmental impacts – and sectors.⁴

Both standards are adhered to and/or integrated or referenced in national legal frameworks in the following countries: Argentina, Colombia, the DRC, the Republic of Congo, Germany, Kazakhstan, the Netherlands,

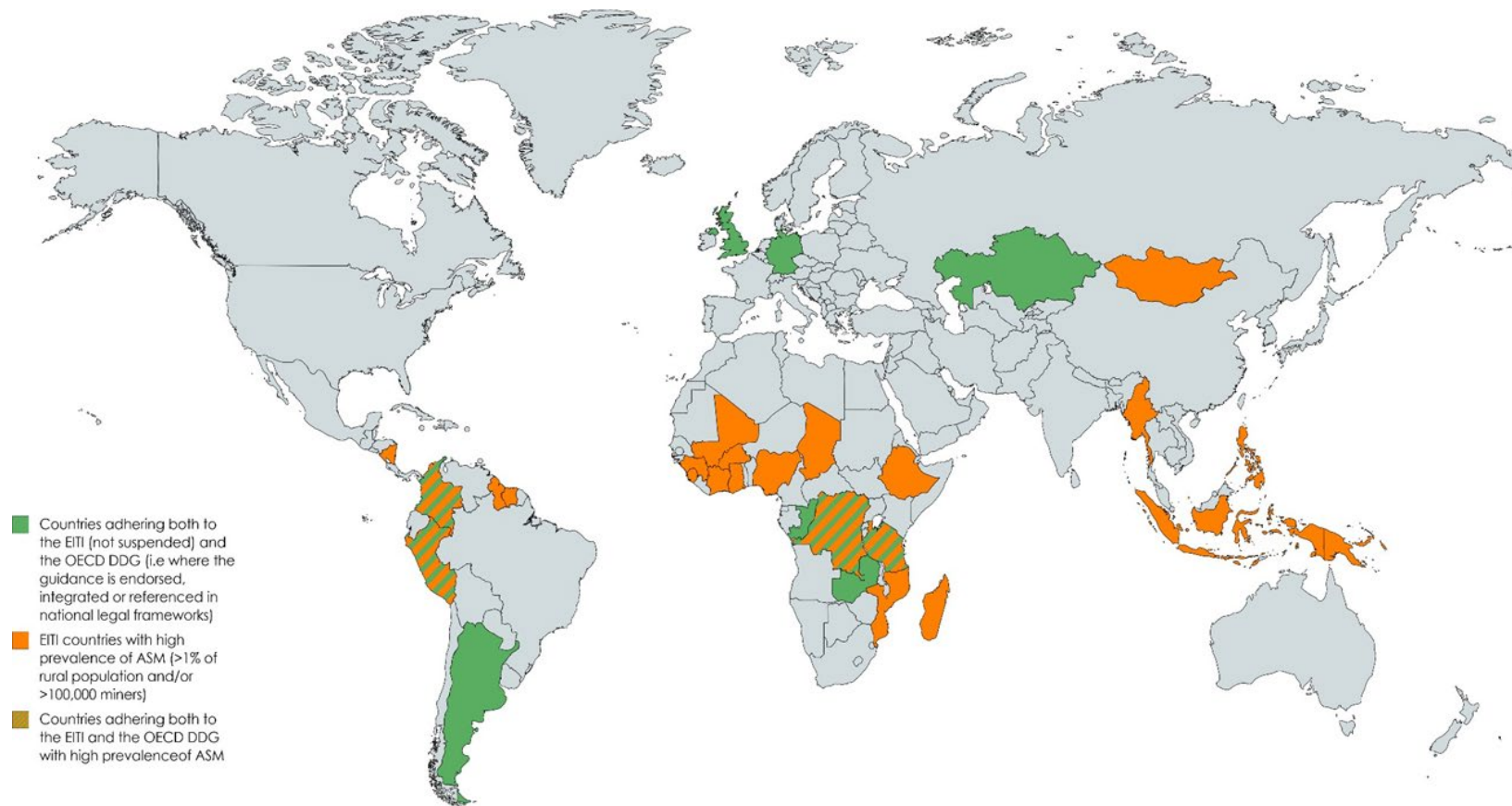
³ See for instance the Alliance for Responsible Mining website: www.responsiblemines.org/en/our-work/standards-and-certification/craft/ or DELVE’s website: <https://delvedatabase.org/about/partners>.

⁴ Some EITI-implementing countries now include forestry and there are demands for them to cover hydropower, for instance.

Peru, Tanzania, Ukraine, United Kingdom and Zambia (see the map below for a visual representation of this geographical coverage and countries with high prevalence of ASM).⁵

⁵ Note that Niger re-joined the EITI in February 2020.

Figure 2.2. Countries adhering to the EITI, adhering / endorsing the OECD DDG and with high prevalence of ASM



Created with mapchart.net ©

Source: (for ASM figures) <http://artisanalmining.org/Inventory/>

References

CMI (2016), "Has the EITI been successful?"

CRAFT (2020), CRAFT website, www.responsiblemines.org/en/our-work/standards-and-certification/craft/

DELVE (2020), DELVE website, <https://delvedatabase.org/about/partners>

EITI (2020), EITI website, <https://eiti.org/join-EITI#benefits>

EITI, (2019a), "EITI Factsheet", EITI International Secretariat, https://eiti.org/files/documents/eiti_factsheet_en_09.2019.pdf

EITI (2019b), "EITI Standard 2019", EITI International Secretariat, <https://eiti.org/document/eiti-standard-2019>

EITI (2016), "Clare's four challenges for the future"

OECD (2011), Recommendation of the Council on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0386>

World Bank (2009), Extractive Industries Value Chain: Extractive Industries Value Chain: A Comprehensive Integrated Approach to Developing Extractive Industries. Extractive industries and development series;no. 3. Africa working paper series no. 125, World Bank, Washington D.C., <http://documents1.worldbank.org/curated/en/282401468339611763/pdf/484240NWP0Box31ei1for1development13.pdf>

3 Linkages between the two standards

This section builds upon the linkages between the EITI and the OECD DDG identified in common by the RBC Centre and the EITI (OECD, 2019), as well as additional areas where complementarities were identified during this research. These are represented in the below diagram and will be discussed further in this section.

Figure 3.1. List of potential topics for operational complementarities between the OECD DDG and the EITI



Source: Authors of this report

3.1. Contributing to an enabling environment for responsible sourcing

3.1.1. Theoretical intersections between the implementation programmes of the EITI and the RBC Centre

The RBC Centre and the EITI share the overarching goal of improving the governance of the minerals sector and preventing corruption and mismanagement of mineral resources. The EITI Standard and the OECD DDG complement each other in that:

- Both provide a disclosure and governance framework for companies to ensure that transparency across the mineral supply chain lessens corruption and conflict in extractive operations.
- Both consider transparency as a tool to empower stakeholders. The EITI focuses on empowering civil society to monitor the practices of key players in the sector and demand accountability for violations of regulations, while the OECD provides more leverage to downstream supply chain actors.

The OECD DDG even directly references the EITI Standard in various parts of the Guidance. In its Annex II Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas, regarding the payment of taxes, fees and royalties due to governments, the OECD DDG **recommends companies to commit to disclosing payments made to governments and other actors according to the EITI Standard** (OECD, 2016: 23). The aim is to foster greater transparency in mineral supply chains and help to identify irregularities. In the supplements on 3Ts and gold, the OECD DDG recommends upstream companies to support the implementation of the principles and criteria set forth under the EITI in Step 1 and in Step 5 of the OECD DDG, to “disclose information on payments made to governments in line with EITI criteria and principles (where relevant)”.

Box 3.1. OECD DDG – recommendations on evidence to gather (OECD)

In its supplements on 3Ts and gold, the OECD **encourages LSM and ASM companies to obtain evidence on a variety of areas**, such as: quantity, dates and method of extraction (artisanal and small-scale or large-scale mining); locations where minerals are consolidated, traded, processed or upgraded; transportation routes; the identification of all upstream suppliers, intermediaries, consolidators or other actors in the upstream supply chain; all taxes, fees or royalties paid to government for the purposes of extraction, trade, transport and export of minerals; any other payments made to governmental officials for the purposes of extraction, trade, transport and export of minerals; all taxes and any other payments made to public or private security forces or other armed groups at all points in the supply chain from extraction onwards; the **ownership** (including beneficial ownership) and corporate structure of the exporter, including the names of corporate officers and directors; the business, government, political or military affiliations of the company and officers; and all export, import and re-export documentation, including records of all payments given for the purposes of export, import and re-export and all taxes and any other payments made to public or private security forces or other armed groups.

In theory, the reconciliation of data gathered under the two frameworks could therefore support efforts made to create an enabling environment for responsible sourcing by, for instance:

- cross-analysing the data provided in companies’ annual due diligence reports on country of origin and EITI requirements on licence allocations and production
- verifying the information supplied by companies on the chain of custody of minerals against EITI requirements on transportation fees and mineral sales.

Yet, data reconciliation in these areas would currently be difficult to achieve in practice.

3.1.2. Implementation challenges

Challenges with regard to the operationalisation of these theoretical synergies include the fact the OECD DDG is a voluntary standard, its use has been historically more rooted in the “conflict minerals” narrative, and a large number of annual due diligence reports are rather generic with regard to licence allocation, production and specific chains of custody. As a result, very little data on payments, taxes and revenues have been generated via the reports to date, thereby **limiting the possibilities in terms of exchange of information**.

Box 3.2. Inclusion of EITI reporting norms in industry programmes which have incorporated the OECD DDG recommendations

The OECD Alignment Assessment completed in 2018 evaluates the extent to which OECD DDG recommendations have been incorporated into the policies and standards of five industry programmes – the Dubai Multi Commodities Centre (DMCC), the International Tin Supply Chain Initiative (ITSCI), the London Bullion Market Association (LBMA), the Responsible Jewellery Council (RJC) and the Responsible Minerals Initiative (RMI) – as well as the extent to which each programme has implemented the recommendations. The assessment included a review of their alignment with the OECD DDG recommendation that upstream companies support the implementation of the principles and criteria of the EITI. Only one of five industry programmes had not included this requirement during the initial assessment but subsequently adapted the wording of their policy.

A closer look at the incorporation of the EITI requirements on payments disclosure shows that this recommendation has not yet received full attention, as three industry programmes (namely, the LBMA Sourcing Programme, the RMI programme and the DMCC Rules for Risk-Based Due Diligence) did not include a direct requirement for their member companies to disclose the payment of taxes, fees and royalties due to the government (beyond mentioning a need to support the implementation of relevant initiatives such as the EITI regarding payment disclosures). At best, members are encouraged to keep internal records of transactional payments.

A complete review of annual due diligence reports would be needed to provide a more detailed overview of data generated by the reports, but a preliminary analysis via qualitative interviews and desk review indicated that the “risk of non-payment of taxes, fees and royalties due to governments” rarely came up during assessments and audits. However, where on-site visits are deemed necessary, they are requested to generate information on these items. It was reported that it was unclear to which extent refiners would have sufficient capacity to enforce this requirement. The DMCC Rules for Risk-Based Due Diligence mentions that they should “where applicable, request information from mining suppliers about their participation in EITI”.

It should, however, be noted that these schemes put a strong emphasis on avoiding corruption and bribery.

3.1.3. Operational complementarities

Efforts to help to create an enabling environment for responsible sourcing can be undertaken at two levels: the reinforcement of the organisations’ mutual reach and carrying out further work in common around the topic of BO.

Reinforcing mutual reach

In order to support the generation of data, the EITI could encourage supporting companies to use the OECD DDG and incorporate the data that they have already reported under the EITI, while the RBC Centre could provide more guidance to industry programmes on how to ensure that their suppliers comply with the EITI norms. More importantly perhaps, the OECD DDG and industry programmes which have incorporated the OECD DDG recommendations will become further entrenched in international practice when the new European Union's (EU) Conflict Minerals Regulation comes into force on 1 January 2021. The regulation will require that EU importers of 3TG (tin, tungsten, tantalum and gold) identify and address actual and potential risks linked to CAHRAs when carrying out due diligence of their supply chains, and it will require them to do so in accordance with the due diligence recommendations of the OECD DDG, including Annex II information on taxes, fees and royalties paid. The EITI Secretariat and supporting companies would do well to discuss the repercussions of this law with the RBC Centre. A strict integration of the OECD DDG and the EITI norm within the implementation of the EU Regulation would be an important step forward to support responsible sourcing throughout the entire supply chain.

Clarifying and aligning expectations and support with regard to beneficial ownership disclosure (BO)

Beneficial ownership disclosure became mandatory for implementing countries with the 2016 EITI Standard. From 1 January 2020, all companies operating in EITI countries will have to disclose the name and identity of the owners of the companies that bid for, invest in or operate extractive projects. EITI expects implementing countries to maintain a publicly available register of the beneficial owners of the corporate entities that bid for, operate or invest in extractive assets, including the identities of their beneficial owners, the level of ownership and details of how ownership or control is exercised. BO therefore applies to ultimate owners even if legal ownership is in another entity or individual's name.

All companies operating in EITI-implementing countries (and included in the materiality threshold) will therefore have to share this information with the government or publicly. As shown in Box 3.1, the OECD DDG also encourages companies to gather information on suppliers' ownership (including BO), though this has not yet been a specific area of focus for the implementation of the guidance.

The benefits of BO transparency are numerous and widely recognised. Looking at it from a due diligence perspective only, updated and accurate BO data could greatly facilitate the implementation of the OECD DDG's requirements. However, the implementation of the disclosure requirement raises numerous challenges for EITI implementing states. In many countries, providing the government with authority to collect, maintain and verify beneficial ownership information requires significant institutional reforms (following several rounds of consultations across government agencies and potential legislative changes) (EITI, 2020). According to interviewees, many countries will not be able to meet this disclosure requirement by January 2020, including some OECD member states. The RBC Centre and the EITI could work on providing practical guidance to governments, companies or industry programmes to publish and access BO data (especially in non-EITI countries or different parts of the value chain/not included in the materiality threshold⁶), building upon the FATF's guidance to assist policy makers and practitioners in national authorities to identify, design and implement appropriate measures to prevent the misuse of corporate vehicles (FAFT, 2014).

⁶ It is understood, however, that the inclusion of companies that are below the materiality threshold (or ASM actors) would be extremely challenging at this point in time but could be worth exploring in the mid to long term, when clearer processes and governance capacity in this field are potentially in place.

3.2. Ensuring that transparency across the mineral supply chain lessens corruption

This subsection is closely linked to the previous one but with a wider lens. It considers a broader range of requirements in the EITI Standard that can help to address corruption risks (such as opaque licensing procedures and unaccountable revenue collection and management procedures) and how the two organisations could support each other's efforts to further embed financial transparency in the mineral supply chain via their respective outlets or key stakeholders.

There is a global consensus that in many countries extractives sector corruption can deprive the population of resources needed to reduce poverty. The OECD and the EITI both play an active role to ensure that transparency across the mineral supply chain lessens corruption and tax evasion.

The role of the EITI in the fight against corruption and how it can work with other relevant schemes to strengthen the responsibilities of key stakeholders in promoting integrity (be they governments, companies or non-governmental and inter-governmental stakeholders, including civil society or the media) is an important matter of discussion within the EITI Association at the moment. As described by the EITI themselves in June 2019 (EITI, 2019b): "The prevalence of extractive sector corruption has led the EITI to face some challenging questions: What role can the EITI realistically play in fighting corruption? Why hasn't the EITI prevented specific extractive sector corruption cases in its implementing countries? Why haven't its disclosures always exposed these scandals? How can it do more?"

The OECD has often been at the forefront of discussions and the development of standards to reduce corruption at large and within the extractive value chain. It has notably developed a specific toolkit to support the systematic mapping of corruption risks along the entire extractive value chain (OECD, 2016). The OECD DDG itself is strongly tied to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the United Nations Convention Against Corruption. Companies implementing the OECD DDG are encouraged to prevent risks related to bribery and fraudulent misrepresentation of the origin of minerals, money laundering and payment of taxes, fees and royalties to governments, including by conducting specific risk assessments on those risks.

A recent report by the Inter-Governmental Action Group against Money Laundering (GIABA) on Money Laundering and Terrorist Financing Linked to the Extractive Industry / Mining Sector in West Africa (GIABA, 2019) suggests that countries should "encourage or require companies in the extractive industry to implement OECD's supply chain due diligence guidance for minerals", as a means to support transparency as well as the effectiveness of the global anti-money laundering (AML) and counter-terrorist financing (CTF) standard in West Africa. It recommends ECOWAS countries to (a) require the private sector to assess the risks of money laundering and terrorist financing in their mineral supply chains; (b) consider requiring dealers of precious minerals and stones to provide data to authorities on the source of materials, amounts received and traded, and the destination of the minerals to enable the country to better assess risks; and, (c) commence a dialogue with the private sector to help them to understand the risks and to obtain useful input on the risks that the sector faces.

Though EITI reporting often reveals processes and practices where corruption could easily arise⁷ (for instance via the new contract disclosure requirement of the EITI, which will allow oversight actors to more easily assess whether companies are following contractual obligations or not), the universe of specific corruption cases likely to be detected relying only on EITI data is inherently limited by the type of data that can be collected under EITI requirements. **For the EITI to further contribute to lowering the level of corruption in the extractive industries, it needs to consider the whole value chain involved in the exploitation and transformation of natural resources.** Improving the amount of available data on

⁷ See illustrations in: EITI (2019), "Discussion paper: The EITI's Role in Fighting Corruption", https://eiti.org/files/documents/eiti_global_conference_discussion_paper_-_eitis_role_in_fighting_corruption_1.pdf.

corruption risks along the value chain that could feed into the EITI national reports and provide more contextual information would therefore strongly benefit the process. In this regard, the risk-based approach of the OECD DDG could be very useful. The RBC Centre is currently discussing this aspect of the OECD DDG in more detail and developing an FAQ for companies on steps to take to address risks related to corruption in their supply chain.

The fight against corruption is therefore an innate area for collaboration between the two organisations, as well as a natural entry point for joint advocacy and/or capacity-building activities with governments, companies and CSOs.

Box 3.3. Corruption risks along the supply chain: the example of cobalt and copper sourcing from the DRC

A 2019 OECD report examined risks prevalent in cobalt and copper sourcing from the Democratic Republic of the Congo (DRC), as well as strategies for building more responsible mineral supply chains (OECD, 2019). The report highlights the often-overlooked links in the supply chain, challenging assumptions that LSM and ASM and refining are entirely distinct. It raises concerns about the low level of scrutiny of some risks and calls upon copper and cobalt users to extend due diligence beyond child labour to include corruption and human rights risks associated with security forces.

The report notably **emphasises the need for all companies along mineral supply chains (i.e. for both LSM and ASM supply chains) to put in place measurable risk mitigation strategies for corruption-related risks and establishes a clear link between the EITI Standard and the OECD DDG in this area.**

Enhanced **due diligence** implementation with the potential to build on increased transparency at the upstream level (e.g. greater EITI disclosure with regard to ASM activities or BO) could potentially contribute to a better mitigation of corruption risks, including through:

- **supply chain mapping and stakeholder identification** (e.g. contributing to making supply chain mapping easier, for instance when it comes to ASM stakeholders)
- **risk identification** related to shareholding structures and informal payments (e.g. identifying grey areas in large-scale mining concession deals and agreements)
- **risk assessment and mitigation with regard to companies' beneficial owners and potential politically exposed persons, both in the ASM and LSM supply chains**⁸
- **transparency**, access to information and supply chain leverage about the above risks, both for ASM and LSM.

3.3. Leveraging the private sector via the supply chain dynamics

Although many requirements of the EITI Standard could be applied to both LSM and ASM in its member countries (such as contribution to employment, publication of licences, production figures, export figures, revenues, etc.), in reality the reporting requirements are often only applicable to LSM operations due to the materiality thresholds (determined by national EITI MSGs). The OECD DDG, on the other hand, is **broader in terms of company scope** because it addresses a wider range of supply chain stakeholders, reaching

⁸ Keeping in mind the limitations highlighted earlier in this section around the feasibility of BO disclosures from ASM operators at this point in time.

both upstream and downstream, and including both LSM and ASM. However, as mentioned in Section 2, it has (for now) gained more traction in the ASM supply chains as LSM appear to have often sought to leave these responsibilities to other downstream supply chain actors and avoid the scrutiny of the OECD DDG's reporting mechanisms.

All actors in the value chain have, however, a vested interest in having a level playing field (even though the actors and interests may differ in nature) as well as changing perceptions around the sector, improving their reputation, and advancing companies as beneficial contributors to the societies, governments and economies in implementing countries and elsewhere. By developing transparency through the EITI and due diligence practices, companies can change the image of the extractive industries.

Both the RBC Centre and the EITI have a role in ensuring that companies uphold the same standards along the supply chain. **The OECD DDG's holistic approach to the supply chain could act as a powerful leverage to encourage upstream actors to better comply with due diligence requirements and publish more detailed reports.** BO transparency, for instance, would be a compelling entry point, given how beneficial it would be for downstream actors, and facilitate the implementation of the OECD DDG's requirements (as mentioned in Section 3). With more awareness-raising **efforts on the benefits of applying the EITI norms** (notably with regard to the disclosure of payments, but this can also include BO) with downstream actors, it is likely that upstream actors will be more inclined to take these requirements on board.

There are several indications that this dynamic is already at play:

- **More and more industry programmes are using the OECD DDG.** The Initiative for Responsible Mining Assurance (IRMA), the Cobalt Industry Responsible Assessment Framework (CIRAF) and the due diligence tool that the International Copper Association (ICA) is developing have all drawn extensively upon the OECD DDG. The World Gold Council (WGC) has also done so, through the Conflict-Free Gold Standard and the Responsible Gold Mining Principles. The International Council on Mining and Metals (ICMM) 10 Principles and associated performance expectations have evolved to include the OECD DDG.
- **Recent reviews of industry programmes' standards following the OECD 2018 Alignment Assessment and the upcoming entry into force of the EU Regulation are likely to have trickledown effects on the entire value chain.** These developments have already encouraged a number of industry programmes to reinforce their standards and requirements.

Box 3.4. London Metal Exchange's (LME new responsible sourcing strategy is grounded in the OECD DDG and impacts LSM as well as ASM.

In recent years, the LME has been working with a variety of industry bodies regarding the responsible sourcing of minerals and released a formal market-wide consultation in April 2019, to help to shape the final set of requirements for all LME-listed brands in respect of responsible sourcing.

These requirements rest on four core principles: the combination of transparency and standards; non-discrimination between LSM and ASM; adherence to well-established work in the sector; and a pragmatic and clear process. **They build on the core requirements of the OECD DDG in requiring both minimum standards and transparency from all brands, wherever they source their metal.**

In terms of transparency, it prioritises EITI reporting for LSM and requires those producers using the LME's Red Flag Assessment template to confirm whether they facilitate the disclosure of potential financial crime and corruption risks under the EITI, thus addressing one of the key concerns with respect to LSM. "Producers utilising a standard will be obliged to meet the requirements of that standard in respect of EITI reporting (in line with the OECD DDG), and the LME will monitor all associated reporting to ensure this issue is meaningfully addressed." Importantly, the LME requirements urge producers to not only show compliance with EITI reporting requirements within EITI member countries, but also enforce transparency on payments in non-EITI member countries. The LME also announced that "[they] will work with the OECD and other stakeholders to ensure the industry-wide development of best practice step 5 reporting, including for the Extractive Industries Transparency Initiative (EITI), which focuses on financial crime risks." (LME, 2019)

These changes are particularly important for LSM, which as an industry will have to improve its reporting on payments and financial crime risks outlined in the OECD DDG such as money laundering, corruption and bribery, all the more as the commodities traded in the LME have been known for their exposure to corruption risks.

The LME requires full industry engagement by 2022 and full compliance by 2023.

The RBC Centre could also work with responsible mineral schemes which are based on (or linked to) the OECD DDG to see how much they directly or indirectly enable the EITI. For instance, the CRAFT code makes an explicit reference to ASM mineral producers' commitments to disclose payments, taxes and royalties in EITI member countries (M.4/2.2.1/R.3.) whereas the Fairmined Standard does not seem to refer to it.

The EITI on the other hand could:

- help to build platforms with governments to assess the impact and possible benefits of turning OECD recommendations into mandatory requirements
- make use of its leverage with LSM EITI-supporting companies to encourage the use of the OECD DDG and incorporate the data they have already reported under the EITI (as previously suggested in Section 3.1.3.).

3.4. Fostering greater data collection and promoting the formalisation of ASM

3.4.1. Linkages between the EITI and the work of the RBC Centre

While the EITI has traditionally focused on the formal, LSM sector, Requirement 6.3. of the Standard requires that an estimate of informal sector activities, including ASM, is disclosed, and **the EITI increasingly seeks to encourage governments to include ASM in the process in order to provide a more comprehensive**

picture of the contribution of the extractive sector to the economy, both formal and informal. This is especially important in countries where the ASM sector is known to be very significant (whether in terms of production levels or size of the population employed) and governments may wish to include an overview of the sector, as well as estimated production and export figures. There are also potential benefits for the broader international community to collect this data. It would for instance:

- support companies' efforts in implementing the OECD DDG
- provide governments with a better understanding of the size and nature of the ASM sector, which is essential for designing relevant formalisation strategies (IGF, 2017: 10)⁹
- enable international institutions, such as the World Bank or the IMF, to get a better macroeconomic view on the extractive sectors in producing countries, so as to better design economic policies and projects.

Guidance documents have been issued to outline how the EITI process can be used to inform public understanding and debate about ASM and the systems that administer it. Where the ASM sector is more formalised, there are, however, many entry points in the EITI standards for ASM actors: as suggested previously, requirements applying to LSM could also be applied to ASM (contribution to employment, publication of licences, production figures, export figures, revenues).

The RBC Centre is involved in various activities to explore ways to support formalisation efforts of ASM globally and enable responsible sourcing of ASM products, in co-operation with the private sector. Through the dissemination of the OECD DDG, the OECD seeks to encourage responsible private sector engagement in high-risk, conflict and post-conflict areas, allowing for the progressive inclusion of informal workers into global supply chains.

The most immediate entry point (or linkage) highlighted by interviewees in this area is to use the data shared by companies in annual due diligence reports to feed into the information gathered by EITI countries and thereby further reinforce EITI's contribution to the formalisation of the sector. There are, however, several challenges related to data collection and sharing with regard to the ASM sector (as described previously in this report). Instead, this research identified several institutional complementarities that the RBC Centre and EITI could build upon, until they are able to collect and share data (in settings where it is currently difficult to do so).

3.4.2. Challenges posed by the sharing of data on the ASM sector

Inclusion of the ASM sector in the EITI process

Broadly speaking, the inclusion of information on the ASM sector in the EITI process is notoriously difficult in countries where ASM is an informal activity. The challenges are well documented and have been the subject of numerous research studies. They mostly stem from a) the difficulty for national MSGs to assess the importance of the sector for their country in the absence of robust ASM census and production and trade data; and b) the materiality threshold set by the MSGs, which limits the onus on governments to collect and disclose information on the sector (as illustrated in Box 3.5). The **two main data gaps are: production statistics and formal revenue streams** derived from licensing permits, leases, production figures, export taxes as well as taxes at mine sites, fees associated with trading, etc. (EITI).

⁹ Understanding the size and nature of the ASM sector is a key step in IGF's guidance for governments on how to formalise ASM. IGF (2017), "Managing artisanal and small-scale mining", (p. 10)

Box 3.5. Advancing Transparency in ASM and Mineral Supply Chains in the Great Lakes Region

The study found that despite increasing interest from national EITI processes in integrating the ASM sector into EITI reporting, the materiality threshold set under national EITI processes, above which their payments to governments would be part of the formal EITI reconciliation process, do not favour the inclusion of ASM into EITI reporting. In addition, the EITI reconciliation process focuses on the reconciliation of formal payments, but only part of the overall ASM trade is undertaken formally and thus generates limited formal payments to governments.

The economic feasibility of integrating ASM data into EITI reconciliation exercises from a cost/benefit point of view can therefore be questioned, as current materiality thresholds are set for valid reasons (see Box 2.2).

Source: GIZ, 2015

At the moment, inclusion of ASM within the EITI process has been seen in countries such as the DRC, Mali, Guyana, Myanmar, the Philippines, Senegal, Suriname, Tanzania, Togo and Zambia.

As noted previously, although the OECD DDG is well embedded amongst ASM stakeholders, annual due diligence reports often do not include data on revenues or production levels that can feed into EITI reporting. Additionally, although the OECD DDG specifically refers to “fees, taxes and revenues”, it does not detail the various categories of revenues that should be reported. Another important challenge is that in some countries, particularly for precious stones and metals, the most important players in the informal supply chains are wholesale traders, looking for international currencies when they cannot access dollars, to enable their formal trading operations.

3.4.3. The operational complementarities

Ways the RBC Centre can support the EITI

Although it may be difficult for stakeholders implementing or supporting the implementation of the OECD DDG to provide quantitative data to help EITI countries to size up the ASM sector at this point in time (in countries such as Niger, Burkina Faso and Mali), they may be well-positioned to collect and disseminate **more qualitative (or contextual)** data with the EITI, as a first step. Indeed, the EITI Guidance on ASM provides a certain flexibility on the type of data that can be included in the reports¹⁰ – a view confirmed by interviewees for this research, who mentioned that validation committees have rather adopted a “try your best” approach to this requirement. This means secondary or qualitative data is welcome to help EITI MSGs to gather an overview of the ASM sector. Information on the ASM sector can be inserted either into the EITI annual reports or in separate complementary notes (as has been done in Ethiopia) (EITI, 2016).

To do so, the RBC Centre could **leverage its links with transparency schemes** such as the Kimberley Process, ITSCI, BSP, GemFair¹¹, Fairmined or Fair Trade who might be already collecting information on the sector that could be drawn on by the EITI. It may also approach industry programmes who have implemented the OECD DDG in order to scope the amount of existing data that is already available. For instance, LBMA has presented data on ASM-sourced gold disaggregated by countries of origin during the

¹⁰ For the overview of the ASM sector, the MSGs are for instance advised to take into account national/international ASM experts and academic studies & NGO reports.

¹¹ Note that GemFair ASM Standard includes an explicit requirement to the EITI

LBMA/LPPM Precious Metals Conference 2019.¹² The RBC Centre can also provide expert support and leverage its local network to share information gathered via research studies or its work with industry programmes with EITI National Secretariats and MSGs.

A second step that could be envisaged by the RBC Centre towards the gathering of more data throughout the supply chain would be to advocate more strongly for the **inclusion of information around countries of origin and payments made in annual due diligence reports**. Specific guidance on how smelters can include those payments in the reports could be developed in collaboration with the EITI. The EITI and the RBC Centre could also look at the issue from a much broader angle and work **towards the development of a clearer framework for government to report revenues stemming from the ASM sector** (in collaboration with other international actors¹³). Interviews for this research highlighted that one of the main challenges for the collection of data on the ASM sector for the EITI was the identification of appropriate data sharing points and the absence of a clear categorisation of revenue streams in the ASM sector, leading to rare and incomplete information on fiscal revenues from ASM production and exports. In other words, even where countries wish to add ASM data to their EITI reports, it remains difficult to get a full picture of ASM-related revenue streams.

Ways the EITI can support the formalisation of the sector

Even though in a number of implementing countries the EITI does not have the capacity (or mandate) to produce specific data on the ASM sector, it can provide a useful platform for dialogue in countries that have decided to include ASM in the scope of their EITI process, as illustrated in Box 3.6.

¹² The presentation given during the Responsible Sourcing Workshop is available on LBMA's website.

¹³ Refer to Section 4.1. for more details.

Box 3.6. Case study: EITI as a platform for dialogue on ASM in Myanmar

While generating reliable data on ASM has proven difficult, Myanmar EITI (MEITI) has become a platform for multi-stakeholder dialogue on how to tackle the sector's challenges.

ASM is an important part of Myanmar's mining sector. It employs hundreds of thousands of people and supports the livelihoods of millions. It accounts for the majority of government-issued mining licences and represents the bulk of gold and tin production (Sahla and Chay, 2019: 11-14). The sector is associated with serious environmental and social challenges and is a source of financing for armed groups and criminal networks (Myanmar Centre for Responsible Business, 2018: 98-100; 183-4).

MEITI has taken steps to capture ASM data. MEITI reports include basic contextual information such as a high-level description of the legal framework and licensing procedures for ASM. An annex provides details on ASM licences, including who holds them and where they are located. The reports also include data on production volumes and revenues from government-licensed gold mines, which are disaggregated between large- and small-scale mining.¹⁴

However, this data only gives a partial picture of the sector. Due to the large number of small-scale producers, setting a sensible materiality threshold to determine which companies need to report has proven challenging. 51 gemstone companies and 28 companies mining other minerals were included in the scope of the 2015-16 report. However, these companies only accounted for 32% of gemstone and 40% of mineral revenues respectively (MEITI, 2019: 20). While coverage increased in the 2016-17 report, significant revenue flows are still not captured.

MEITI has also made only limited attempts to include data on the informal sector. The latest report has a short chapter on informal gemstone mining, including estimates of production values based on calculations from the Natural Resource Governance Institute (NRGI) (MEITI, 2019: 120). However, there is no discussion of informal activity in the rest of the mining sector. Experts estimate that over 90% of mining in Myanmar is unlicensed. Levels of informality are especially high in tin and gold mining (NRGI, 2019: 1-13). The sector's economic contribution is therefore likely to be much higher than EITI data suggest.

In addition to discussions around data, MEITI has become a platform for dialogue and capacity development on ASM issues. Much of this has focused on Myanmar's recent decentralisation of ASM licensing responsibilities (NRGI, 2019: 27-34). MEITI has supported efforts to strengthen the capacity of officials implementing the decentralisation process. In September 2018, MEITI and NRGI sponsored a delegation of government officials to attend the International Conference on Artisanal and Small-Scale Mining and Quarrying in Zambia. In July 2019, MEITI and NRGI organised a study trip to Indonesia on ASM and decentralisation.

MEITI has evolved into an important platform for multi-stakeholder dialogue on ASM. It has convened several workshops and trainings for government officials, civil society and the private sector, including a two-day event in October 2019 in the capital Nay Pyi Taw, which brought together 200 participants from across Myanmar. MEITI has also been establishing subnational units to facilitate local-level dialogue and coordination on resource governance issues, including ASM. In practice, however, these units are not yet functioning effectively.

Myanmar illustrates the potential for the EITI to serve as a platform to address the sector's challenges. However, it also highlights the difficulty of integrating ASM into EITI reporting processes in order to generate reliable data.

3.5. Empowering civil society

Both organisations recognise the crucial role of civil society in ensuring supply chain transparency and creating awareness about potential mismanagement of these revenues. Many of the issues discussed in the previous sections (notably with regard to the fight against corruption) will also need to be carried by civil society.

The EITI has developed various protocols and guidance notes to ensure that active and effective participation of civil society in the MSG is ensured.¹⁵ In doing so, it **has provided local CSOs with a unique opportunity to sit at the same table as policy makers and discuss revenues from their extractive industries**. It has often been the primary framework used by civil society to engage with governments and companies regarding access to information about the realities of extractive industries in their countries. It has also facilitated the creation or the formalisation of the civic space in countries where CSOs were not yet organised in networks. For instance, one of the measures Niger was to implement for its re-admission within the EITI process was to ensure that the MSG CSO representatives represented a “college of CSOs” and adopted a Code of Conduct which obliged them to consult the members of the college on a variety of issues discussed at the MSG. Another more striking example concerns the role civil society may have in the EITI validation process itself. In November 2019, CSOs in Equatorial Guinea addressed comments to the EITI board concerning the candidacy of the country to the EITI and laid out a series of recommendations regarding the protection of civic space (and the end of the repression of civil society) as a necessary precondition to the admission of the country (PWYP, 2019).

This “marginal effect” from the set-up of the tripartite governance system is seen as a real added value of the EITI process.

The **OECD DDG** also contains many references to the necessity of involving civil society in the due diligence process. It notably encourages the formation of **multi-stakeholder commissions** composed of focal points from civil society, industry and local and central government to coordinate, among other things, the mine site assessment process, the carrying out of consultations with CSOs to implement risk management plans, and the building of partnerships with civil society to support the capacity building of security forces.

There are, however, a number of persistent challenges with regard to CSOs’ active participation in the EITI process, such as:

- the way a specific government perceives civic voice and whether this voice is truly “free”
- the potentially low levels of accountability (or representability) of the CSOs sitting on the MSG (which are often based in capital cities and remote from the day-to-day concerns of community-level civil society active in mining zones)
- the potentially low level of capacity to disseminate the data produced by the companies to local CSOs
- the potential lack of knowledge on the extractive industries sector and the supply chain dynamics (which may limit their ability to fulfil their oversight role or hold governments and companies to account).

The RBC Centre is well-placed to support both the strengthening of MSG members’ understanding of supply chain risks (and risk management processes) and help to bridge the gap between CSOs present at the MSGs and those that are active in mining zones, notably via its local multi-stakeholder monitoring committees (currently in place in DRC and which the OECD wishes to expand in other countries) or its CSO network. A

¹⁴ See for example Myanmar Extractive Industries Transparency Initiative (MEITI) (2019), “The Fourth Myanmar EITI Supplementary Report for the Period 1 April 2016 to 31 March 2017”, https://eiti.org/files/documents/4th_meiti_report_30_march_2019.pdf.

¹⁵ In line with EITI Requirement 1.3.

variety of activities to help to foster more active involvement of CSOs could be designed in collaboration with MSG members. In turn, more empowered CSOs could have a crucial role in supporting further dissemination of the OECD DDG.

Lastly, the OECD could carry out a thorough review of the protocols and guidance notes developed by the EITI to understand whether they could be adapted and disseminated to the OECD fora.

3.6. Outreach to local communities: enhancing public support

In order to improve its reach at the local level, subnational implementation of the EITI is increasingly encouraged and the EITI board plans to further support the **mainstreaming of EITI data** to provide access to clear, reliable, timely and useful extractives information at the local level. The underlying principle of “mainstreaming transparency” is to shift the focus from publishing EITI reports towards encouraging systematic disclosure, opening up new opportunities for MSG discussion and oversight. Simplified reports focusing on subnational payments were developed and **dissemination campaigns** were carried out in various EITI countries to that end. These campaigns are typically led by the EITI Permanent Secretariats and carried out by teams mirroring the tripartite composition of the MSG.¹⁶

In parallel, as mentioned in the previous section, in the DRC the RBC Centre supported the development of **local multi-stakeholder monitoring committees** to carry out risk assessments in areas where artisanal production occurs. The mandate of these committees covers all the risks foreseen in Annex II¹⁷ and encompasses both ASM and LSM operations occurring in the region. Discussions are currently ongoing between the OECD and the ALG to assess the technical and financial feasibility of expanding this concept to West Africa. In addition to these local committees, new technological solutions have been developed to respond to transparency requests from downstream consumers, which could also help to increase the supply chain efforts in terms of transparency at the communities level¹⁸.

Both work streams would benefit from feeding into (or off) each other, either by organising joint meetings at the local level to discuss both the EITI report and the Guidance with community members or by aligning messages and making use of their separate outreach activities to further promote the complementarities outlined in this research. Such activities would allow both initiatives to enhance public support, raise the public’s awareness on legal rights related to ASM and gather contextual data that can feed into EITI reports.

3.7. Advancing gender equality and women’s rights in natural resource governance

The existence of structural barriers that impede women and girls and other marginalised groups from equally contributing to and benefitting from responsible mineral supply chains is well known.

The 2019 EITI Standard requires MSGs to consider gender balance in their representation and disclose employment data by company, gender and occupational level. It also addresses gender considerations in the dissemination of EITI data and encourages MSGs to document how they have taken gender considerations and inclusiveness into account. As laid out in Guidance note 30 (Towards gender-responsive

¹⁶ Both the Burkina Faso and Mali EITI Secretariats carried out such campaigns in July-August 2019. All the reports were translated into local languages.

¹⁷ i.e. human rights violations, direct and indirect support to state and non-state armed groups, corruption and fraudulent reporting of the origin of minerals, money laundering and payment of taxes, duties and fees.

¹⁸ See for example, Ulula (2019), Assessing the impact of Due Diligence programmes in eastern DRC: A baseline Study, <https://ulula.com/assessing-the-impact-of-due-diligence-programmes-in-eastern-drc-a-baseline-study/>.

EITI implementation): “Ensuring that EITI implementation is gender-responsive and reflects women’s voices and experiences can result in more impactful and sustainable implementation that serves the interests of all citizens”.

The OECD Council Recommendation on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas also recognises that “serious abuses associated with the extraction, transport or trade in minerals listed in Annex II, especially when perpetrated against women and children, should not be tolerated”. Annex III of the OECD DDG (on Suggested Measures for Risk Mitigation and Indicators for Measuring Improvement) recommends the use of the Global Reporting Initiative (GRI), Sustainability Reporting Guidelines and GRI Mining and Metals Sector Supplement (Version 3.0) to report on indicators and compile relevant information “including risks to communities and women”. Additionally, specific sessions focused on gender equality were held at the 12th and 13th OECD Fora on Responsible Mineral Supply Chains and a specific Stakeholder Statement on Implementing Gender-Responsive Due Diligence and ensuring the human rights of women in Mineral Supply Chains was prepared by Women’s Rights and Mining together with the RBC Centre. It notably urges stakeholders to **support the development of concrete initiatives in different mineral supply chains to advance gender equality**, women’s rights and gender-responsive due diligence and **report on their actions through existing reporting mechanisms** (OECD, 2019).

Thus, both standards recognise the importance of gender aspects in the field of responsible supply chains and both organisations have a role to play in ensuring that gender equality and women’s rights are realised in mineral supply chains.

Box 3.7. Women miners on the MSG in Burkina Faso

In Burkina Faso, AFEMIB, the association for women miners in Burkina Faso, has been on the MSG since 2013 as a civil society organisation representative. The association has been key in helping the EITI promote an understanding of the extractive sector and its impact in Burkina Faso in a way that reflects women’s interests and needs as well as men’s. It has also led in the design and implementation of activities highlighting the overlap between the EITI and gender issues, as well as outreach events targeting women.

Despite the positive example quoted in Box 3.7, women are rarely represented in MSGs or included in capacity-building activities in the sector.

Ensuring women are represented in all joint OECD-EITI activities will be important in order to fulfil both organisations’ ambitions in this area. Specific capacity-building activities might be designed to that effect.

During the session on “Pressing for progress on gender equality and diversity” at the 2019 EITI Global Conference, participants noted that regulatory frameworks and apparent political will were not sufficient to translate into concrete changes. They emphasised the importance of thoroughly documenting the situation of women and other marginalised groups in order to better inform policies. Linking up to other organisations carrying out research on gender aspects in the ASM sector could support the centralisation of additional data on the sector as a whole while taking into account those concerns.¹⁹ According to interviews for this research, gaps in the area include:

¹⁹ For example, IMPACT carried out a specific research study on women and artisanal mining in the Great Lakes region. IMPACT (2017), “Gender and Artisanal and Small-Scale Mining in Central and East Africa: Barriers and Benefits”, https://impacttransform.org/wp-content/uploads/2017/10/GrOW-Working-Paper_2017.pdf.

- the different kinds of extraction, washing, trading or livelihood activities women carry out in and around ASM sites
- exposure to different types of risks and impacts
- operation of gender norms, structures and relations in conditioning those livelihoods
- the differences between women who are able to advance in the sector and those who are not.

The participants also insisted that such challenges should be debated by relevant actors, including women's organisations, and that pressure should be exerted on decision makers to follow up on commitments and demand real change in policies, both from governments and companies.

References

- EITI (2020), "Beneficial Ownership", <https://eiti.org/beneficial-ownership>
- EITI (2019), "Discussion paper: The EITI's Role in Fighting Corruption"
- EITI (2019), "What's the role of the EITI in fighting corruption?", <https://eiti.org/news/whats-role-of-eiti-in-fighting-corruption>
- EITI (2016), "Artisanal Mining Operation and Its Economic Values, Ethiopia"
- EITI, Guidance note 21
- FAFT (2014), Guidance on Transparency and Beneficial Ownership
- GIABA (2019), "Money Laundering and Terrorist Financing Linked to the Extractive Industry / Mining Sector in West Africa"
- IGF (2017), "Managing artisanal and small-scale mining"
- IMPACT (2017), "Gender and Artisanal and Small-Scale Mining in Central and East Africa: Barriers and Benefits"
- LME (2019), "LME sets out responsible sourcing requirements", www.lme.com/News/Press-room/Press-releases/Press-releases/2019/10/LME-sets-out-responsible-sourcing-requirements
- Myanmar Centre for Responsible Business (2018), "Sector Wide Impact Assessment of Limestone, Gold and Tin Mining in Myanmar", Myanmar Centre for Responsible Business, Institute for Human Rights and Business and Danish Institute for Human Rights
- Myanmar Extractive Industries Transparency Initiative (MEITI) (2019), "The Fourth Myanmar EITI Supplementary Report for the Period 1 April 2016 to 31 March 2017"
- NRGI (2019), "Unpacking Decentralization"
- OECD (2019), "Interconnected supply chains: a comprehensive look at due diligence challenges and opportunities sourcing cobalt and copper from the Democratic Republic of the Congo"
- OECD (2019), "New OECD report challenges assumptions about risks in cobalt and copper sourcing", <http://mneguidelines.oecd.org/new-oecd-report-challenges-assumptions-about-risks-in-cobalt-and-copper-sourcing.htm>
- OECD (2019), "Stakeholder Statement on Implementing Gender-Responsive Due Diligence and ensuring the human rights of women in Mineral Supply Chains", <https://mneguidelines.oecd.org/Stakeholder-Statement-Implementing-Gender-Responsive-Due-Diligence-and-ensuring-human-rights-of-women-in-Mineral-Supply-Chains.pdf>
- OECD (2016), "Corruption in the Extractive Value Chain - Typology of Risks, Mitigation Measures and Incentives"
- OECD (2016), "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas"

OECD, “Best Practice Paper - Upstream due diligence in circumstances of incorrect, fraudulent, unknown or insufficient information on risk, origin and chain of custody for tin, tantalum and tungsten”

OECD RBC (2019), “OECD and EITI Standards for Transparent Mineral Supply Chains”

PWYP (2019), “Civic Space in Equatorial Guinea”, www.pwyp.org/wp-content/uploads/2019/11/Civic-Space-in-Equatorial-Guinea-information-and-recommendations-from-civil-society.pdf

Sahla S. and Chay H., (2019), “Unpacking Decentralization: Improving How States and Regions in Myanmar Issue Artisanal and Small-Scale Mining Permits”, Natural Resource Governance Institute

Ulala (2019), “Assessing the Impact of Due Diligence Programmes in Eastern DRC: a Baseline Study”

<https://ulula.com/assessing-the-impact-of-due-diligence-programmes-in-eastern-drc-a-baseline-study/>

4 How to operationalise the complementarities

The below recommendations have been developed building on the key findings of this research. They provide avenues of reflection on how to operationalise the complementarities identified in this report both at an international and local or operational level.

4.1. At the global level

This subsection describes how the EITI and the RBC Centre could work together at a global level to further explore the complementarities and reinforce their mutual reach, as well as how they can involve partners. On top of the specific activities listed in this section, a more general recommendation that stems from this report is for the EITI and the RBC Centre to make sure that they carry out regular checks and joint brainstorming exercises.

4.1.1. Identifying joint priorities to increase transparency and responsibility across the mineral supply chain

This research showed that despite the fundamental differences between the OECD DDG and the EITI Standard mechanisms, complementarities could be found in a variety of areas. In order to develop a joint agenda (or action plan) to operationalise these complementarities, the RBC Centre and the EITI should agree on a) the aspects they wish to prioritise; b) what can reasonably be expected from supply chain actors, government and civil society within those areas; c) the potential implementation challenges. Priorities, expectations and challenges may differ according to the regions, types of commodities and stakeholders.

Once a common strategy is agreed upon, the RBC Centre and the EITI could jointly develop guidance documents. These could be designed to help governments, companies and other stakeholders to understand the requirements of each initiative on these strategic priorities, explain the links between the initiatives and provide practical recommendations to support implementation. Particular issues to focus on might include beneficial ownership (where the EITI and the OECD have separately already developed a variety of supporting documents²⁰); anti-corruption measures (where the RBC Centre is developing an FAQ document designed to help companies to understand what is expected of them in terms of supply chain due diligence related to corruption); or the involvement of specific actors such as downstream actors, civil society, women's organisations, etc.

4.1.2. Carrying out common outreach activities

The RBC Centre and the EITI should take steps to ensure that the linkages between the two initiatives are clear to stakeholders. The two organisations should carry out joint outreach activities to disseminate the

²⁰ Such as, the OECD Beneficial Ownership Toolkit, EITI Beneficial ownership disclosure: fact sheet for companies; Legal approaches to beneficial ownership transparency in EITI countries.

findings of this report as well as promote greater awareness of complementarities and potential benefits of closer collaboration.

Additionally, when they participate in joint events (such as the 2019 EITI Global Conference, which was hosted at the OECD Conference Centre in Paris), efforts should be made to ensure that the benefits of complying with the OECD DDG are presented to EITI's core stakeholders and that specific training sessions are proposed. Enhanced cooperation between the RBC Centre and the EITI could also pave the way for an expansion of the OECD DDG in the oil and gas sector in the future.

4.1.3. Collaborating with other organisations to generate better data on the ASM sector

As suggested in Section 3.4., studies on the size and nature of the ASM sector are essential for designing relevant formalisation strategies and would benefit both the implementation of the OECD DDG and the EITI requirements. It is therefore essential that they collaborate with other organisations in order to understand what data is already being produced and how this can be better shared, and what data are missing and how those gaps can best be filled. A variety of actors could be included in this work stream, such as the World Bank, the IMF and other transparency initiatives.

The World Bank

The RBC Centre could carry on supporting the World Bank's effort on DELVE and disseminate the data in its upcoming outreach activities with EITI National Secretariats. Furthermore, the World Bank works closely with US mining companies to identify relevant data sharing points in the context of the implementation of the Dodd-Frank Act. It will be important to liaise with the team if the RBC Centre takes a closer look at developing more specific reporting requirements on revenues and data sharing points in its guidance.

The International Monetary Fund

The International Monetary Fund (IMF) is a natural part of the conversation for two main reasons:

- it developed the original standard template to collect and present data on government revenues from natural resources (hereafter referred to as "standard template") used by the EITI within its mandatory reporting requirements (IMF, 2014)
- it would have an interest in gaining a better macroeconomic understanding of the importance of the extractive sector in producing countries in order to better design economic policies and projects or technical assistance programmes.

One immediate entry point for working with the IMF would be to seek their help in overcoming the challenges related to the categorisation of revenue streams in the ASM sector²¹ by **developing a new standard template on the nature of revenues in the ASM sector (jointly with the EITI and the RBC Centre)**. This initiative would answer one of the issues raised by EITI Guidance 21, namely the need for an assessment of criteria for inclusion in EITI reporting, the types of data which may be available for countries, and the different models for data collection and reporting which can be adapted to different situations, needs and opportunities.

Other initiatives

The RBC Centre could continue engaging with ASM initiatives at the upstream level with an obvious interest in transparency issues (such as the Kimberley Process, Diamond Development Initiative, Fairmined, Fair Trade, ITSCI, Gemfair, etc.) in order to contribute to improved practices in terms of

²¹ Highlighted in Section 3.4.3.

payments disclosure and transparency (e.g. commodity-specific and/or country-specific reporting templates for ASM payments disclosure).

4.1.4. Working with the industry to understand and implement EITI and OECD DDG requirements

The **EITI** could:

- encourage EITI-supporting companies to participate in capacity-building training programmes on the OECD DDG and the five-step due diligence framework on a regular basis
- train OECD DDG-implementing companies on how to use data generated in their reports for due diligence purposes
- further discuss the repercussions of the new EU Conflict Minerals Regulation with EITI-supporting companies and the OECD C-RBC, as the DDG will soon become further entrenched in international practice when the regulation comes into force.

The **RBC Centre** could:

- **Work with mineral supply chains' responsible sourcing programmes** that are based on (or linked to) the OECD DDG to assess the extent to which they directly or indirectly enable EITI implementation. For those who do, an analysis of potential best practice examples that are transposable to the guidance should be carried out. For those who do not, an engagement aiming at better implementation could be carried out.
- **Clarify its expectations with regard to the disclosure of fees, taxes and revenues** in step 5 annual reports (especially for companies operating in non-EITI countries in order to support the dissemination of the norm via private companies, as expected in the EITI standard). The lack of inclusion of payments made in the reports could be more closely monitored by the RBC Centre. Specific guidance on how smelters can include those payments in the reports could be developed in collaboration with the EITI.
- **Clarify its expectations with regard to the implementation of measurable risk mitigation strategies for corruption-related risks** and continue encouraging companies along the supply chain to put them in place.

4.2. At the national level

4.1.5. Collaborating with governments, industry and partners towards the formalisation of artisanal mining by bridging the data gap and aligning technical support

The RBC Centre and the EITI could (jointly or independently) carry out the following actions:

- **Reinforce joint messages to companies and governments in countries where both standards are adhered to**, in order to promote greater awareness of complementarities and potential benefits of closer collaboration.²² The exact nature of the engagement will depend on the priorities of these specific countries with regard to the formalisation of the sector, their level of advancement in the EITI process, the size of the ASM sector (either in terms of production or population employed), the specificities of their value chains, etc., but the broader complementarities outlined in this report can be promoted in all these settings.

²² See a map outlining the most obvious geographical overlaps between the two initiatives on page 17.

- **Regularly carry out capacity-building activities for officials involved in mining sector governance** on the OECD DDG and its benefits for supply chain transparency. These could include specific trainings, workshops or study trips and could be part of more general discussions on ASM formalisation.
- **Conduct an analysis of the ASM context**, identify key data gaps and commission studies to fill these gaps. This information can then be fed into EITI reports.
- **Help design a step-by-step approach to gathering and publishing ASM sector data** by governments in collaboration with international organisations.
- Work where possible with government agencies and international organisations to ensure that the formalisation of the ASM sector does not lead to further marginalisation of vulnerable populations and by **incentivising public policies that are beneficial to the sector, for instance by lobbying for taxation levels which would be flexible and bearable for economic actors.**
- Enhance the transparency of the extractives sector by encouraging more entities in the mineral supply chains, including local exporters, to publish payments of taxes, fees and royalties related to mineral extraction, trade and export to governments in an effort to improve transparency. This could cover exports of ASM material, with requirements to be further defined with international partners. **All reported payments may be included in one streamlined EITI and OECD annual due diligence report.**
- **Ensure that the respective EITI and RBC Centre stakeholders** are more aware of each other. As shown in Section 2 Table 2.1), the EITI Standard and OECD DDG have different focus and implementation drivers and therefore speak to different stakeholders who are often operating in parallel with little understanding of each other's priorities.

4.1.6. Engaging more specifically with EITI National Permanent Secretariats and MSGs

The nature of the engagement and mutual benefits stemming from further collaboration will also depend on the capacities of each national secretariat and the specific characteristics of the national extractive sector. However, activities to support the sharing of data on the ASM sector, the dissemination of the OECD DDG throughout the supply chain and the dissemination of EITI reports at local level can be considered in most settings. These can include:

- encouraging the participation of the EITI Secretariat and MSG members in capacity-building and training programmes on supply chain transparency and due diligence (relying on the RBC Centre's local or regional networks), and open dialogue platforms between civil society members of both initiatives
- sharing the results of this research with national secretariats and gathering feedback on the appetite for and interest in further collaboration, as well as identifying areas where they can best support their efforts
- supporting the EITI's data mainstreaming efforts, especially in places where OECD DDG related multipartite monitoring committees are installed
- sharing contextual or quantitative information on the ASM sector gathered via research studies, industry programmes or the multipartite monitoring committees, in places where they exist, or other proxies
- regularly carrying out internal capacity-building activities for officials involved in mining sector governance on the OECD DDG and EITI norms (jointly)
- advocating for the inclusion of (local) representatives of the ASM sector within the MSGs.

In countries with "stronger" EITI governance systems, the RBC Centre could envisage the building of shared systems and practices to undergird the effectiveness and sustainability of member projects, including ongoing monitoring, mapping of human rights risks, data collection and results measurement.

The EITI national secretariats could:

- provide a platform for increased interactions with local LSM actors
- support the RBC Centre's efforts to secure formal adhesion to the guidance in countries where it has not been formally adhered to by the government yet
- help to hold governments to account and push for adequate implementation of the OECD DDG in countries that have adhered to both standards, but where the EITI implementation is much stronger than the OECD DDG implementation
- provide training to multipartite monitoring committees in places where they are set up to improve their understanding of EITI disclosure requirements.

4.1.7. Civil society capacity building and engagement

The RBC Centre could support both the strengthening of MSG members' understanding of supply chain risks (and risk management processes) and help to bridge the gap between CSOs present at the MSGs and those that are active in mining zones. Specific trainings on supply chain management risks could be carried out to that end in capital cities and mining zones.

In parallel, the RBC Centre could carry out a thorough review of the protocols and guidance notes developed by the EITI with regard to civil society empowerment to understand whether they could be adapted and disseminated to the OECD fora.

References

EITI (2019), "Legal approaches to beneficial ownership transparency in EITI countries"

EITI (2016), "EITI Beneficial ownership disclosure: fact sheet for companies"

IMF (2014), "Press Release: IMF and the Extractive Industries Transparency Initiative Collaborate Toward Improving Transparency of Natural Resources Revenues",
www.imf.org/en/News/Articles/2015/09/14/01/49/pr14473

OECD (2019), "OECD Beneficial Ownership Toolkit"

Annex A. List of stakeholders' interviews

Table A A.1. List of stakeholders' interviews

Organisation	Name	Date of interview
Global Initiative against Transnational Organized Crime	Roberto Sollazzo	7/11/2019
NRGI consultant	Sebastian Sahla	7/11/2019
ALG Secretariat	Adama Sangaré	11/11/2019
Foreign & Commonwealth Office	Lia Suguimotomagor	12/11/2019
Control Risks	John Bray	12/11/2019
EITI Global Secretariat	Gisela Granado and Indra Thévoz	13/11/2019
Global Affairs, Government of Canada	Lina Holguin	13/11/2019
Ministry of Europe and Foreign Affairs, France	Clémence Contensou	13/11/2019
EITI Secretariat Mali	Cissé Boureima	14/11/2019
EITI Secretariat Burkina Faso	Aristide Nikiema	14/11/2019
Alliance for Responsible Mining	Yves Bertran	14/11/2019
London Bullion Market Association	Susannah MacLaren	15/11/2019
EITI Secretariat Mali	Django Coulibaly	18/11/2019
EITI Secretariat Niger	Abdelkarim Aksar	19/11/2019
Agence Française de Développement	Magali Kreitmann	19/11/2019
World Bank	Rachel Perks	19/11/2019
Global Witness	Emily Norton	21/11/2019

Annex B. Further reading

- BGR (2009), “Implementing Transparency in the Artisanal and Small-Scale Mining Sector”
- Burkina Faso 2016 EITI Report
- Burkina Faso 2016-2018 workplan
- CMI (2016), “Has the EITI been successful?”
- Craft (2018), “Code of Risk-mitigation for ASM engaging in Formal Trade”
- EITI (2019), “Discussion paper: The EITI’s Role in Fighting Corruption”
- EITI, Factsheet, September 2019
- EITI (2019), “Second Validation of Mali Draft assessment by the EITI International Secretariat”
- EITI (2016), 2016 Annual Activity Report Niger
- EITI (2016), “Artisanal Mining Operation and Its Economic Values, Ethiopia”
- EITI (2016), “Clare’s four challenges for the future”
- EITI (2016), Guidance note 21: “Coverage of Artisanal and Small-Scale Mining (ASM) in EITI”
- EITI (2007), “The Extractive Industries Transparency Initiative (EITI) & Artisanal and Small-Scale Mining (ASM)”
- FAFT (2014), Guidance on Transparency and Beneficial Ownership
- GIABA (2019), “Money Laundering and Terrorist Financing Linked to the Extractive Industry / Mining Sector in West Africa”
- GIZ (2016), “Assessing the Effectiveness and Impact of the Extractive Industries Transparency Initiative” (EITI)
- ICGLR (2015), “Pilot Study: Advancing Transparency in Artisanal and Small-Scale Mining and the Mineral Supply Chains in the Great Lakes Region”
- IGF (2017), Managing artisanal and small-scale mining
- IMPACT (2017), “The West African El Dorado: Mapping the Illicit Trade of Gold in Côte d’Ivoire, Mali and Burkina Faso”
- IMPACT (2017), “Gender and Artisanal and Small-Scale Mining in Central and East Africa: Barriers and Benefits”
- Mali 2016 EITI Report
- Mali 2017 Annual Progress Report
- Myanmar Centre for Responsible Business (2018), “Sector Wide Impact Assessment of Limestone, Gold and Tin Mining in Myanmar”, Myanmar Centre for Responsible Business, Institute for Human Rights and Business and Danish Institute for Human Rights
- Niger EITI work plan 2016-2018
- OECD (2019), “Interconnected supply chains: a comprehensive look at due diligence challenges and opportunities sourcing cobalt and copper from the Democratic Republic of the Congo”
- OECD (2018), “Alignment assessment of industry programmes with the OECD Minerals Guidance”
- OECD (2016), “Corruption in the Extractive Value Chain - Typology of Risks, Mitigation Measures and

Incentives”

- OECD (2016), “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas”
- OECD (2014), “Draft Overview of Audit Initiatives for Responsible Mineral Sourcing”
- OECD (2014), “Update on the OECD Implementation Programme – Gold and 3T”
- OECD (2013), “Implementation programme for the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: long-term governance arrangement”
- OECD RBC (2019), “OECD and EITI Standards for Transparent Mineral Supply Chains”
- OECD RBC (2017), “Due Diligence in Colombia’s Gold Supply Chain”
- Plan de travail ITIE Mali 2016
- Publicly available international audit reports, such as EITI reports for countries which include ASM in the process, reports from The Kimberly process, CTC, FairMined, Fair Trade, and civil society organisations
- PWC (2015), “Scoping study on ASM in the East of the Democratic Republic of the Congo”
- World Gold Council (2013), “Responsible gold mining and value distribution”
- Sahla S. and Chay H. (2019), “Unpacking Decentralization: Improving How States and Regions in Myanmar Issue Artisanal and Small-Scale Mining Permits”, Natural Resource Governance Institute

Web sites (non-exhaustive)

- OECD (n.d.), Policy Dialogue on Natural Resource-based Development (PD-NR), [website, www.oecd.org/dev/natural-resources.htm](http://www.oecd.org/dev/natural-resources.htm).
- Recommendation of the Council on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0386>
- Alliance for Responsible Mining (n.d.), The Artisanal and Small-scale Mining Knowledge Sharing Archive, website, <http://artisanalmining.org>.
- The Extractive Industries Transparency Initiative <https://eiti.org/>