



Year in Review 2012



**PARTNERSHIP
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Research, policy dialogue and action

PAC is working globally to promote responsible natural resource governance and sustainable development.

PAC is actively engaged in initiatives addressing:

- ▶ Industry guidelines, standards and codes of practice
- ▶ Certification and traceability of conflict-prone minerals
- ▶ Transparency and accountability in the oil, gas and mining sectors
- ▶ Artisanal and small-scale mining
- ▶ Gender and artisanal mining
- ▶ Civil society engagement in natural resource governance
- ▶ Security and human rights in the extractive sector

Cover photo: Artisanally mined gold
Democratic Republic of the Congo
Credit: PAC/Shawn Blore

AFRICA



Economic Growth does not Equal Development

The debate about Africa's natural resource wealth has become even more focused with the release of the Africa Progress Panel's report on oil, gas and mining development in Africa. Its analysis and conclusions are crystal clear. Africa is not benefiting from the development of its natural resources, and within African countries the wealth that has resulted from natural resource exploitation is not being equitably shared or invested for development. Moreover, as a result of related illicit financial flows, more resources leave Africa than arrive. The net result is that Africa is subsidizing the developed world.

Transparency and accountability go to the heart of the matter. If citizens and institutions have the information and the ability to hold companies and governments to account, African countries would at least be able to begin tackling the issue of responsible natural resource development. That's why Partnership Africa Canada is redoubling its efforts to support initiatives dealing with transparency and accountability throughout the extractive sector.

PAC's Year in Review for 2012 provides some excellent examples of progress in this regard. Publish What You Pay-Canada, in collaboration with the two main Canadian mining industry associations – MAC and PDAC - and the Revenue Watch Institute, broke new ground by jointly developing guidelines for mandatory payments disclosure by Canadian companies. The government of Canada has since announced its support for mandatory disclosure, joining the US and Europe as key proponents of transparency in the extractive sector. This is a major step forward.

PAC is working to support similar achievements in other arenas. In the Great Lakes Region, PAC developed the certification process for conflict-prone minerals, which is on the point of being officially launched in the Democratic Republic of Congo and Rwanda. Similar in intent to the Kimberley Process for rough diamonds, it will guarantee the origin of these high-value minerals and help prevent their fuelling armed conflict.

In Central Africa and West Africa, PAC finds itself increasingly working with partners at the grassroots level - for example, with artisanal miners, with women and with their communities. These communities produce wealth – diamonds, gold – and yet they remain desperately poor. As the Year in Review describes, we are exploring new initiatives with these partners and communities to find meaningful solutions.

We renew our thanks to our many supporters and partners for their ongoing generosity and collaboration. We look forward to sharing news of our work with you.



David Kalete, President



Bernard Taylor, Executive Director

Africa's natural resources could dramatically improve the lives of millions. But while natural resources may have fuelled a decade of rapid economic growth, most Africans have still not seen the benefits

*Africa Progress
Report 2013*

Conflict-Prone Minerals in the Great Lakes Region

Mineral Certification

The quest for control of high-value minerals in the eastern part of the Democratic Republic of Congo (DRC) has contributed to prolonged regional instability, and the potential for further widespread armed conflict in the Great Lakes region remains high. PAC takes a two-pronged approach to its work in the Great Lakes region. While our efforts prioritize strategies that mitigate conflict, we also place a strong emphasis on building the foundations for the responsible management of conflict-prone minerals so that they can boost national and regional economic opportunities. With these goals in mind PAC works primarily to support the efforts of the International Conference on the Great Lakes Region (ICGLR) to track four minerals—coltan, tin, gold and tungsten—that are key contributors to the on-going conflict in eastern DRC.

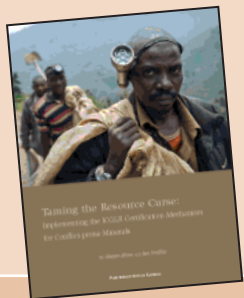
In 2010, PAC designed the ICGLR's regional certification mechanism for high-value minerals and is now helping ICGLR member states to implement it. One of the direct results of PAC's efforts has been the international recognition of the vital role of the ICGLR and the acceptance of the regional certification mechanism. For example, EICC-GeSI, the leading international electronics industry coalition, announced in 2012 that its Conflict Free Smelter Program will accept ICGLR certificates as a credible in-region sourcing mechanism. This is a strong statement of support for the ICGLR and assures the members of EICC-GeSI and other buyers, that they should have confidence in the certification system being established in region.

Another positive result in 2012 was been the adoption of the ICGLR regional certification mechanism (RCM) into the national legislative frameworks of both the DRC and Rwanda. This adoption into law is significant, for it signals a serious commitment by ICGLR member states and creates a legal framework via which to operationalize certification and to demand compliance by both the private sector and government actors. Within this emerging legal framework in these two countries, PAC has committed substantial technical and capacity building support to advance the implementation of certification. In addition, PAC has helped introduce to the region emerging mineral tracking technologies to improve the accuracy of data collection and ensure that principles of transparency are respected, in keeping with the ICGLR certification standards. PAC has helped establish the ICGLR database which will be used to track the movement of minerals regionally. The first certificates from DRC and Rwanda are expected later in 2013.



The ICGLR is an inter-governmental initiative linking 11 countries of the Great Lakes region: Angola, Burundi, Central African Republic, Republic of Congo, Democratic Republic of the Congo, Kenya, Rwanda, Sudan, Tanzania, Uganda and Zambia. South Sudan, which became independent in 2011, is currently in the process of becoming a member.

Through the the 2004 Dar Es Salaam *Declaration on Peace, Security and Development in the Great Lakes Region*, the countries committed to transform the Great Lakes Region into a space of sustainable peace and security for states and peoples, political and social stability, shared growth and development. The 2006 Nairobi *Pact on Security, Stability and Development* includes a variety of protocols, including one on preventing the illegal movement of natural resources. PAC helped draft this protocol.



PAC's report *Taming the Resource Curse: Implementing the ICGLR Certification Mechanism for Conflict-prone Minerals* provides a detailed description of the regional certification mechanism for tracking high value and conflict-prone minerals in Africa's Great Lakes region. Based on lessons learned from other certification mechanisms, particularly the Kimberley Process, it promotes key principles that will make for a stronger and more effective regulatory scheme for four minerals, namely gold, coltan, tungsten and tin.

Artisanal Gold Mining in Eastern DRC

The artisanal mining sector, largely informal, is prone to corruption and criminality and, for years, minerals have been used by armed groups in the DRC and neighbouring countries as a source of financing. Furthermore, control over these lucrative natural resources has become a source of conflict. Of the four conflict minerals, gold is by far the most significant, both in terms of conflict financing and in terms of the revenue lost by African governments as a result of contraband exports. However, because of a lack of market forces, gold has to date received the least constructive attention: there are no tracking systems in place for artisanal gold in the Great Lakes region, no chain of custody technologies being proposed for this gold production, and no on-the-ground engagement by large overseas buyers of gold.

Located in the northeast corner of the DRC, Orientale Province is one of the most significant gold producing areas in the Congo, and most gold is bought by illegal back alley comptoirs, and then transported clandestinely to Uganda. Provincial mining authorities are aware of the need to bring control and formalization to the artisanal gold sector. PAC has begun a pilot project which aims to create a traceable conflict-free mineral chain for artisanal gold from the region, thus demonstrating the feasibility of creating artisanal gold supply chains with full traceability from mine site to refiner. The work is being implemented in close cooperation with the Diamond Development Initiative (DDI), the DRC Government and Congolese civil society partners. PAC aims to replicate this initiative in Burundi.



Participants at the “Economies of Sexual Violence and Conflict in Africa” workshop, Bujumbura. Credit: PAC/Joanne Lebert

Gender, Security and Resource Governance

Recognizing the importance of the full integration of gender to long-term peace and stability, including the responsible governance of minerals, PAC further developed its gender programming during the year to include the following:

- ▮ Research to understand how women and girls participate in the mining economies of Eastern DRC, to identify and minimize their vulnerabilities, and to maximise their opportunities.
- ▮ Research on the implementation of UNSCR 1325 (Women, Peace and Security) and of related National Action Plans in the context of traceability and certification.
- ▮ Hosting of workshop on sexual violence and conflict in Africa, with the objective of supporting African scholarship and creating opportunities for African scholars and practitioners to work collaboratively on the issue of sexual violence (together with Carleton University and in cooperation with the ICGLR).

This work will be developed further in 2013.



Artisanal gold miners, Orientale Province, Democratic Republic of the Congo. Credit: PAC/Joanne Lebert

Supporting Civil Society Efforts

In addition to collaborating with the ICGLR, PAC supports an independent civil society coalition working on natural resources comprised of organizations from the Kivu (DRC), Rwanda, Burundi and Uganda – COSOC-GL. The coalition members work to promote the ICGLR Pact and to hold their own governments to the commitments they have made, particularly as regards to the tracking and certification of conflict-prone minerals. The coalition is coordinated by CENADEP.

Most recently, PAC support included the technical training of COSOC-GL members and other civil society organisations throughout the region on ICGLR compliance requirements for certification.

Conflict Diamonds Still a Global Threat

Conflict Diamonds Still a Global Threat

PAC began working on the conflict diamond issue in 1998 and its report, *The Heart of the Matter: Sierra Leone, Diamonds and Human Security*, had a major impact on public opinion and helped lead to the creation of the Kimberley Process (KP). Since then, PAC has continued its research and policy dialogue on the question of natural resources and conflict, publishing over 30 reports on the diamond sector – an unparalleled source of knowledge. PAC helped initiate the KP and remains an important player in its implementation today, participating in the work of four committees and coordinating civil society participation in the KP.

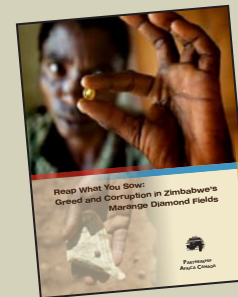
Since its inception in 2003, the Kimberley Process has evolved into a conflict prevention scheme with major potential. A peer review system has provided the KP with a framework for monitoring implementation and guidance has been elaborated for cases where there is non-compliance with KP minimum requirements. Yet, the scheme is still struggling to put basic diamond tracking into practice in the countries that were most affected by conflict diamonds. Civil society has long argued that the KP should be much more active in monitoring infringements and tougher in curtailing the illicit trade of rough diamonds, both in producing countries and in trading and importing countries. However, some in the KP prefer to let the grass grow under their feet.

Reforming the Kimberley Process – Chipping From the Rough

A reform process was set in motion by the KP in late 2011 with a special committee created, on which PAC sits. As the KP Chair for 2012, the US developed an ambitious agenda for the year with reform lying at its core. PAC and the civil society coalition welcomed this, seeing it as an opportunity for the KP to finally adopt much-needed reforms such as broadening the definition of a “conflict diamond” and establishing a KP secretariat. However, in the commercially and politically-charged world of the KP, all reforms seem threatening to certain stakeholders. After much thrashing in the rough, the KP reform committee was able to put a proposal to the KP Plenary that the World Diamond Council provide administrative services to help the KP become more effective. The question of broadening the definition of a “conflict diamond” led to deadlock, however, with further discussion deferred along with other reform matters until 2013, when South Africa will be KP Chair.

Enforcement in West Africa

As part of ongoing efforts to strengthen compliance with KP minimum requirement in West Africa, PAC organized a workshop in Ouagadougou in February 2012 for customs officials and mines ministry representations from four francophone countries – Guinea, Côte d'Ivoire, Mali and Burkina Faso. The aim of the workshop was to discuss the creation and implementation of a regional strategy to address diamond smuggling. Participants included customs, police, KP officials, civil society representatives and a member of the UN Expert Panel on Côte d'Ivoire. A major outcome of the event was the decision of participants to collaborate better, both internally and regionally.



Greed and Corruption in Zimbabwe

In November 2012, PAC released a report, *Reap What You Sow: Greed and Corruption in Zimbabwe's Marange Diamond Fields*, to coincide with a major

diamond conference in Victoria Falls, Zimbabwe. The report focused on the lack of transparency surrounding diamond revenues and the possible negative consequences of that on Zimbabwe's economic and political fabric. It also used the unexplained wealth the Minister of Mines, Obert Mpofu, to highlight how political and military insiders are benefitting at the expense of the public treasury and public good. The report received wide international and Zimbabwean media coverage, and forced Minister Mpofu to defend his record managing the diamond sector, and his unexplained wealth. PAC continues to support Zimbabwean partners in their efforts to undertake community monitoring and consultations with government on improving the governance of this very important national resource.



Reaching Out to the Diamond Industry

- ▶ PAC addressed the World Diamond Council (WDC) annual meeting in Vicenza, Italy in May 2012, successfully convincing the WDC to support calls for a change in the conflict diamond definition. Doing so would expand the definition beyond just rights abuses perpetrated by rebel movements to include violations by state actors and private security companies, and would make the KP more responsive to future incidents of abuses.
- ▶ PAC was invited to join the standards committee of the Responsible Jewellery Council (RJC), and participate in efforts to create a chain of custody for diamonds. In light of the imperfections of the WDC's System of Warranties, the RJC standards offer an independent auditing of commitments industry members make about the origins and ownership of their diamonds, and could complement efforts by the WDC and the KP to improve industry responsibilities.
- ▶ PAC was asked to help major diamond trader Martin Rapaport develop an "Ethical Diamond Pledge", a set of voluntary commitments consumers and members of the diamond industry can take in support of the mining and trading of violence-free diamonds.
- ▶ PAC was consulted by the Jewellers of America (JA) and the Diamond Manufacturers and Importers Association (DMIA) on their Diamond Source Warranty Protocol, an initiative which industry members developed to give themselves added comfort (beyond a KP certificate), particularly with respect to diamonds that may pose legal difficulties due to their relationship with politically exposed individuals named on American sanctions lists.

KP Civil Society Coalition

PAC continues to coordinate the work of the KP civil society coalition, which includes nine African CSOs in seven countries (Guinea, Côte d'Ivoire, Sierra Leone, Liberia, Cameroon, DRC and Zimbabwe) and two organizations in Germany and Canada. The coalition participates in KP meetings and working groups, with individual coalition members supporting and monitoring KP implementation in their respective countries and regions.

PAC organized a special briefing session for coalition members on the eve of the November 2012 KP Plenary in Washington. An independent evaluation of the work of the coalition was carried out at the same time. Its conclusions were positive and it made a series of recommendations to strengthen the work of the coalition.



Aminata Kelly-Lamin (Network Movement for Justice and Development, Sierra Leone) of the KP Civil Society Coalition at the opening ceremony of the KP Intersessional meeting, Washington, with Eli Izhakoff, President of the World Diamond Council. Credit: US KP Office

In December 2000, the United Nations General Assembly adopted Resolution (A/RES/55/56) on the need to break the link between the trade in rough diamonds and armed conflict. Earlier, in May 2000, a meeting had been called by the South African government in Kimberley to discuss the issue of "conflict diamonds". This led to a series of meetings that became known as the 'Kimberley Process' (KP). After 30 months of negotiation, the KP agreed to implement a regulatory mechanism: an international certification system for rough diamonds called the Kimberley Process Certification Scheme (KPCS). This scheme came into force on January 1, 2003. PAC participated in the first meeting in Kimberley and all subsequent meetings.

The KPCS is a certification-of-origin mechanism, requiring its members to certify shipments of rough diamonds leaving their borders as 'conflict-free'. KP Participants may trade rough diamonds only with other KP Participants.

As of November 2012, the KP had 54 participants, representing 80 countries, with the European Union and its member states counting as a single participant. The KP also includes Observers: the World Diamond Council (WDC), the KP Civil Society Coalition, the Diamond Development Initiative (DDI) and the African Diamond Producers Association (ADPA).

Transparency begins at home

Mandatory Disclosure Requirements in Canada

Publish What You Pay – Canada has played a key role in a ground-breaking transparency initiative in Canada. In September 2012, PWYP-Canada, the Mining Association of Canada (MAC), the Prospectors and Development Association of Canada (PDAC) and the Revenue Watch Institute formed a working group with the aim of developing a framework for the disclosure of payments to governments by Canadian oil and mining companies operating domestically and internationally.

The Resource Revenue Transparency Working Group (RRTWG) gave itself the objective of providing draft recommendations by June 2013. Once finalized, the working group will make policy recommendations to federal government policymakers and/or provincial security regulators for the Canadian adoption of mandatory disclosure requirements based on the framework.

The working group held consultations with mining companies, investors, governments, accountants, lawyers and civil society organizations in different cities across Canada. PWYP-Canada also raised awareness and support for transparency amongst MPs through various meetings and briefing sessions. To improve general awareness of transparency, PWYP-Canada launched a new website in October of 2012. The website supports PWYP-Canada's growing focus on communications.

STOP PRESS

In June 2013, Prime Minister Stephen Harper announced that Canada will implement mandatory reporting requirements for Canadian extractive companies operating both in Canada and abroad. This very important news came as the European Union voted for strong new disclosure requirements for extractive companies. The United Kingdom and France announced in May that they will implement the Extractive Industries Transparency Initiative.

African Partner Addresses a RRTWG Workshop in Vancouver

Gilbert Makore, from the Zimbabwe Environmental Law Association, and also a member of PWYP Zimbabwe, participated in a RRTWG workshop held in Vancouver. He spoke about how improvements to transparency in countries such as Canada can improve conditions for people living in many resource-rich African states, where governments have squandered resource revenues through corruption and mismanagement. The lack of accountability between governments and citizens contributes to labour unrest, suspicion and conflict around resource development, and can lead to nationalization policies. Often, conflict, unrest and citizen demands are directed at the company rather than the government.

Increased disclosure will not only enable citizens to hold their governments to account for the resource revenues they receive, but can also improve the contribution of the resource sector to the local economy and improve fiscal management by increasing the scrutiny of public expenditures. Gilbert Makore proposed that while companies are not responsible for how governments manage and

spend revenues, by limiting disclosure they are contributing to the disempowerment of citizens impacted by their activities. He stated that mandatory disclosure will help shed light on the decisions of governments and ensure citizens have the information they require.



Left to right: Kady Seguin, Interim Director, PWYP-Canada, Gilbert Makore, PWYP-Zimbabwe, Claire Woodside, Director PWYP-Canada

PWYP-Canada Capacity Building in Africa

PWYP-Canada's guide *An Eye on Disclosure: The PWYP-Canada Guide to Accessing Information on Canadian Companies* was presented at a PWYP Francophone Africa meeting held in Dakar, Senegal, in June 2012. In addition to presenting the guide, participants engaged in a collective exercise on generating ideas for using information disclosed by Canadian companies in their research and advocacy work.

In September 2012, the international PWYP coalition celebrated its 10th anniversary in Amsterdam with a full week conference, where the coalition presented its new strategy Vision 20/20. The conference provided PWYP-Canada with the opportunity to make new connections and to strategize on both domestic mandatory disclosure work and future capacity building needs for the coalition. Discussions at the meeting highlighted the need for continued work on sensitizing civil society actors and citizens to available information on extractive companies, and to identify ways of using this information to promote greater accountability and responsible management.



Kady Seguin (PWYP-Canada) and Marc Ona, Executive Secretary of Brainforest and Coordinator of PWYP-Gabon, at the PWYP Francophone Africa Meeting in Dakar, Senegal.



At the Amsterdam conference, *An Eye on Disclosure* was featured as a component of a contract monitoring workshop presented by the World Bank Institute. This provided PWYP-Canada with an additional opportunity to present the guide and do a live demonstration of how to find and use the securities disclosure documents of Canadian companies. Further workshops in Africa are planned for 2013.

International PWYP coalition 10th anniversary conference in Amsterdam



Publish 
What You Pay
CANADA

Publish What You Pay (PWYP) is an international coalition of non-governmental organizations seeking to ensure that natural resource extraction companies are required to publish the payments they make to all national governments and authorities. PWYP aims to increase the public accountability of governments and oil, gas and mining companies for the management and allocation of extractive industry revenues. This is a necessary first step towards a more accountable system for the management of natural resource revenues.

The Publish What You Pay—Canada coalition is hosted by Partnership Africa Canada.

PAC's Finances – *diversified funding, focused programming*

Revenues and Expenses for the year ending	March 31, 2013	March 31, 2012
Revenues		
Foreign Affairs and International Trade Canada	\$ 743,194	\$ 608,439
International Development Research Centre (Canada)	2,544	
Irish Aid	142,989	184,482
Foreign Trade and Development Cooperation - Belgium	130,733	136,318
European Union	60,737	
USAID/Tetra Tech ARD	31,651	152,064
Federal Department of Foreign Affairs – Switzerland	20,436	13,273
German Agency for International Cooperation (GTZ)	17,971	2,602
Public-Private Alliance (PPA)/Resolve (USA)	113,017	
Revenue Watch Institute (USA)	70,274	69,629
Humanity United (USA)	5,844	
Cordaid (Netherlands)	707	9,187
Open Society Institute (USA)		24,862
Other NGOs		4,883
Other contributions	17,617	5,894
Interest	4,349	4,547
	<u>1,362,063</u>	<u>1,216,180</u>
Expenses		
Conflict Diamonds	361,894	531,097
Conflict Minerals	884,840	483,795
Transparency and Accountability	117,649	186,757
Security and Human Rights	3,372	4,201
	<u>1,367,755</u>	<u>1,205,850</u>
(Deficiency) Excess of Revenues over Expenses	(5,692)	10,330

Our grateful thanks to our donors!

PAC receives funding from a variety of governmental, institutional and non-governmental supporters, for which it is deeply grateful.

Our work could not be undertaken without this support and we recognize that our achievements are also those of our supporters.



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Public-Private Alliance for
Responsible Minerals Trade (PPA)



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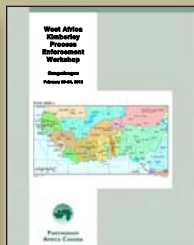
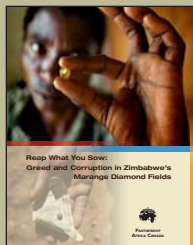
Claire
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Research Associates and Contract Persons 2012

Shawn Blore • Ajay Garg • Rob Dunn • Anaïs Tobalagba • Gabriel Kamundala Byemba
• Victor Kangela • Stephen Turyahikayo • Stephen Winstanley • Samuel Begaa Yendjogi

Publications in 2012

Partnership Africa Canada



- Reap What You Sow: Greed and Corruption in Zimbabwe's Marange Diamond Fields, November 2012
- West Africa Kimberley Process Enforcement Workshop, Ouagadougou, February 2012
- Other Facets

PAC's publications are available on its web site: www.pacweb.org

Publish What You Pay – Canada



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Artisanal gold miners, Burundi. Credit : PAC/Joanne Lebert



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