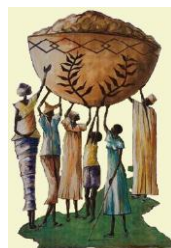
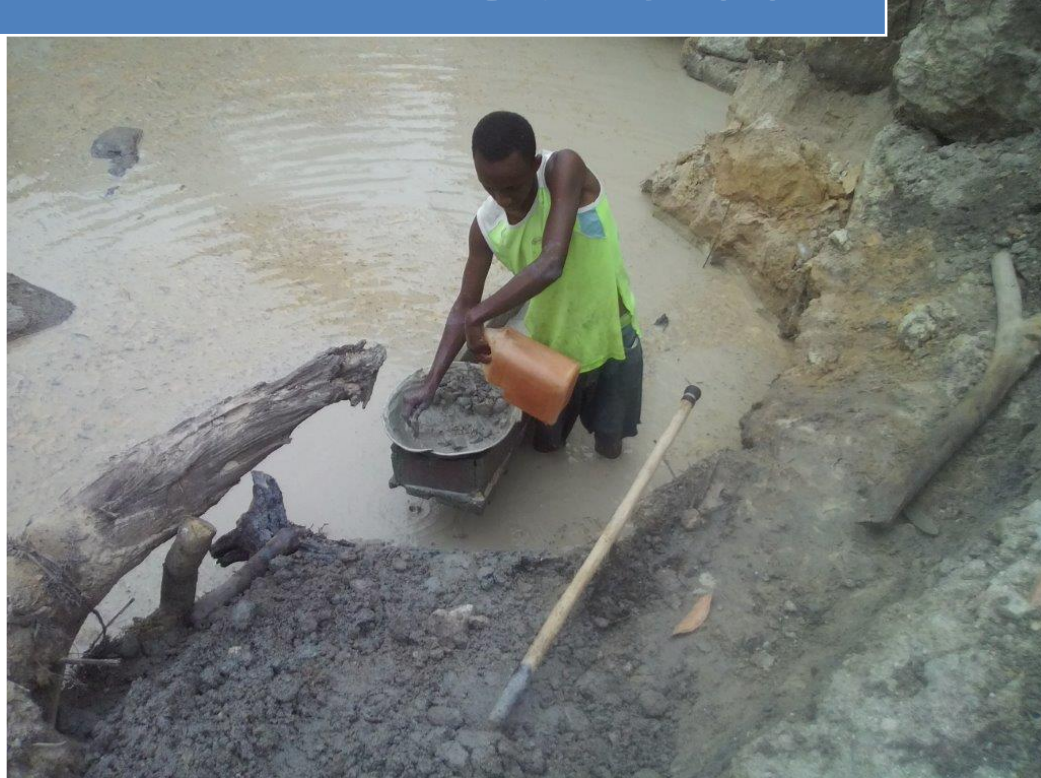


Policy Brief

Building Nexus between Transparency Initiatives and Artisanal/Small scale Mining in Cameroon



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This policy brief is intended to suggest a framework and provoke reflections on how to effectively use the EITI to promote transparency in the artisanal and small scale mining sector in Cameroon.

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INTRODUCTION

Cameroon is a country endowed with numerous mineral resources, most of which remain largely unexploited.¹ Although mining exploration permits have been accorded to several mining companies, no industrial mineral exploitation project is currently operational in the country. Rather, artisanal and small scale mining operations, clustered mainly around gold and diamonds, have been operating for several decades using manual methods and limited machinery. Given that the artisanal and small scale mining sector constitutes the largest employer in the Cameroon mining sector, providing a livelihood for large numbers of people, it is important that it be critically examined.²

In the past decade, a new phenomenon has emerged in the Cameroonian mining landscape whereby artisanal mining license holders collaborate with foreign investors in the mining sector, principally from Asia and notably from China. These foreign investors have introduced heavy machinery at artisanal mining sites despite the fact that doing so was made illegal by the 2001 mining code. In response, law no 2016/017, passed on December 14, 2017, revised the Cameroon mining code to once again allow heavy machinery to be used in artisanal mining operations. This is referred to as “semi-mechanized artisanal exploitation.” The introduction of semi-mechanized artisanal exploitation in the legal framework normalizes the damaging effects of using heavy machinery in artisanal mining sites in Cameroon.

As observed and highlighted by various civil society organizations and research institutions, the artisanal and small scale mining sector in Cameroon faces several challenges.³ One clear challenge is the informal and nontransparent nature of most operations in the sector. Although the government of Cameroon created the Support Framework for Artisanal Mining (CAPAM) in 2003 to help with the task of organizing, coordinating, supporting and promoting artisanal mining in the country, CAPAM has yet to fully achieve these objectives. At present, it is still not possible to properly identify all the actors in the artisanal and small scale mining sector in Cameroon and the actual revenue generated from artisanal mining operations.

Thus far, the state has not sufficiently explored all the possibilities available to help channel maximum revenue from the artisanal and small scale mining sector into the public budget. Building a nexus between transparency initiatives and the artisanal and small scale mining sector in Cameroon could be a key opportunity to increase government revenue from artisanal and small scale mining. This policy brief seeks to examine how transparency initiatives can be used in the artisanal and small scale mining sector to reduce existing leakages that deprive the state from generating the expected revenue from artisanal and small scale mining.

THE POLICY ISSUE

Although the artisanal and small scale mining sector in Cameroon faces many challenges, lack of transparency is one of the most significant problems. This lack of transparency can be attributed to the fact that the artisanal and small scale mining sector has, for a very long time, remained largely informal with limited data available on the mineral production figures and revenues accruing from mining operations.

Available estimates indicate that the contribution of the mineral sector to Cameroon's Gross Domestic Product (GDP) in the past several years has been marginal – at less than 1%– even though the government is counting on mineral sales to increase state revenue and achieve its development objective of becoming an emerging country by 2035.⁴ For example, the total revenue figure from the extractive industries and hydrocarbon transportation for Cameroon in 2013 was 829.3 billion CFA, while the mining sector contributed 2.511 billion CFA during the 2013 fiscal year. Breaking down the revenue components of the mining sector, out of 2.511 billion CFA, industrial mineral exploration and quarry companies account for most of the funds – notably, 2.504 billion CFA in 2013. From this figure, the documented revenue coming from the artisanal mining sector in 2013 was just 7 million CFA.⁵

(Million CFA)	2012	2013
Industrial mines	522	2.314
Quarry companies	287	153
Artisanal mines	4	7
Social expenditures	80	37
Total	893	2.511

2013 EITI Cameroon conciliation report

These scanty revenue figures give an indication of the real challenge with generating and channeling revenue from the artisanal mining sector to the public budget, despite the scale of artisanal mining activities in the East and Adamawa regions of the country. Some reports have established that the majority of the gold and diamonds currently produced by artisanal miners in the East and Adamawa regions of Cameroon is smuggled and sold out of the country so as to avoid paying the necessary taxes.⁶ The effect of mining companies hiding the quantities of gold they produce and selling it on the black market is valued at an estimated loss of one billion CFAF to the Cameroon treasury every month.⁷

Testimonies from many artisanal mining sites allude to nefarious practices, such as washing minerals at night or concealing minerals in gas bottles for transport, in order to escape the vigilance of mine inspectors and law enforcement.⁸ This lends credence to assertions that the state does not have total mastery of the minerals produced in artisanal and small scale mining sites in Cameroon and provides a partial explanation for why the state has failed to capture the expected revenue from artisanal mineral exploitation. Besides increased vigilance, such as the monitoring of artisanal mineral exploitation operations, one possible way to reduce illicit activities is to enshrine transparency in the entire artisanal and small scale mineral production and commercialization supply chain in Cameroon.

USING EXISTING TRANSPARENCY FRAMEWORKS

Cameroon has subscribed to some international transparency initiatives – notably, the Extractive Industries Transparency Initiative (EITI) in 2005 and later the Kimberley Process Certification Scheme (KPCS) in 2012. These two existing transparency initiatives constitute a very important means for Cameroon to address the transparency challenges it faces in its artisanal and small scale mining sector. The EITI seeks to promote transparent and responsible management of revenues from the extractive sector while the Kimberley Process (PK) seeks to eliminate trade in conflict diamonds by ensuring that all diamonds are responsibly sourced and sold through official channels. Although the artisanal and small scale mining sector does not generally facilitate transparency, reflected by the informal marketing of gold and diamonds produced by artisanal miners in Cameroon, such transparency schemes provide a useful starting point. For example, since Cameroon has adhered to the Kimberley Process, the diamond trade has become a little bit more structured despite persistent efforts by diamond dealers to continue with illicit exports. Thus, one possible approach to improving transparency is to integrate artisanal and small scale mining in to the EITI based on current actors in the Kimberley Process.

These transparency initiatives have been enshrined in the legal framework through Law No. 2016/017, passed on December 14, 2016, on the Mining Code of Cameroon. The Mining Code devotes a whole section on governance and transparency in the mining sector. According to Section 142 of the 2016 Mining Code, holders of mining permits operating in Cameroon are required to comply with international commitments entered into by the State and applicable to their activities for the improvement of governance in the mining sector – and namely, the Kimberley Process and the Extractive Industries Transparency Initiative. Decree no. 2005/2176/PM passed on June 16, 2005, established Cameroon’s EITI Multi-Stakeholder Committee and designated various representatives from government, civil society, and private sector to participate in implementing the EITI in Cameroon. For the private sector, oil and mining sector industrial operators are both represented. Geovic Cameroon, a mining company that unsuccessfully attempted to develop an industrial

mining project since 2003, represents the mining sector. On the other hand, the artisanal and small scale mining sector, which, as compared with Geovic, is fully operational and generates revenue, is not represented in the EITI Multi-Stakeholder Committee.

It can be argued that the absence of record keeping and the informal nature of artisanal and small scale mining make it difficult for these mine operators to be part of the EITI's highly formalized framework. However, this difficulty could easily be resolved considering that the diamond and gold export sector is already formalized in Cameroon, as evidenced by the registered mineral purchasing offices, or 'bureau d'achat,' that already buy the vast majority of the gold and diamonds produced by artisanal miners. Here, the purchase offices that deals directly with mineral collectors, who are the direct link to artisanal miners, operate formally and are easily identifiable (see Figure 1 below). The EITI could thus facilitate the representation of the artisanal mining sector by including representatives of mineral purchase offices in the multi-stakeholder group.

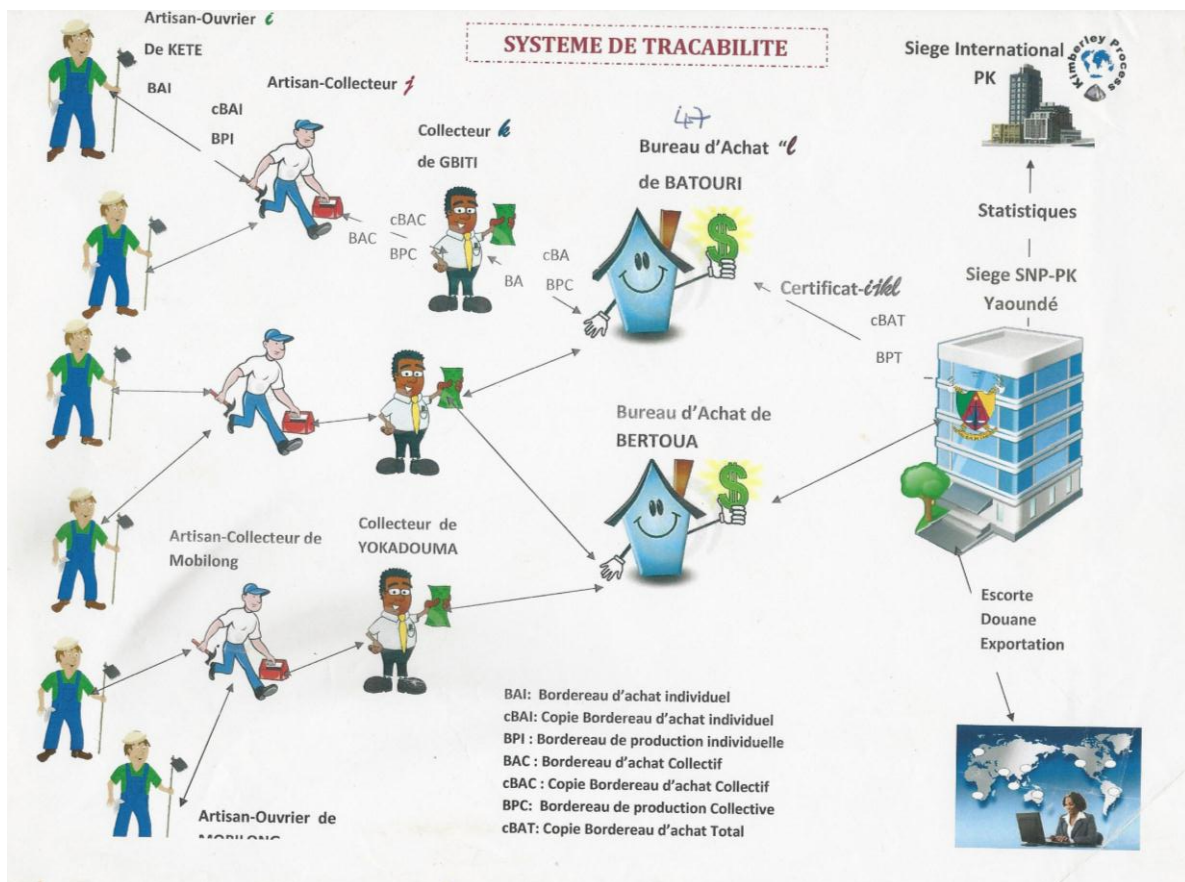


Figure 1 ; Link between purchase office and artisanal miner in the Kimberley Process

Identifying the relevant mineral purchase offices is no longer a cumbersome task given that mineral purchase offices involved in diamond trade are already working with the Kimberley Process national secretariat. No international diamond export can be done by these purchase offices without a KP certificate issued by the KP permanent national secretariat. **The EITI could thus tap in to the existing framework created by the KP to work with diamond purchasing offices and get them into the multi-stakeholder group either as observers or full members with disclosure obligations.** This could provide a framework for reflection on the appropriate and necessary policy options to address issues of transparency in the artisanal mining sector. In this way, building synergy between the KP and the EITI could be an important milestone for improved transparency in the artisanal and small scale mining sector in Cameroon.

It should be noted that the materiality threshold established in advance by the Multi-Stakeholder Group for payments and revenues considered quantitatively and qualitatively significant for disclosure could be a barrier to the participation of purchase offices in the EITI. The materiality threshold for revenue disclosure in Cameroon EITI conciliation reports oscillates around 50 to 65 million CFAF, and could be considered too high for artisanal and small scale operations.

Given the benefits that integrating the artisanal and small scale mining into the EITI could bring to the governance of this sector, it would be useful to identify an approach enabling the income disclosure without the materiality threshold being any handicap to such disclosure.. .

CONCLUSION AND RECOMMENDATIONS

At present, artisanal and small-scale mining remains the only form of active mineral exploitation in Cameroon. Due to the informal nature of this activity, it is not always possible to have credible data on production and revenues generated by the sector. However, building transparency into the artisanal and small scale mining sector can be one way to reverse the current trend. The EITI constitutes an existing framework through which transparency could be built into the artisanal mining sector, but the artisanal and small scale mining sector currently lacks representation in the EITI Multi-Stakeholder Group. Mineral purchase offices serve as formal structures that could be integrated into the EITI to represent the artisanal and small scale mining sector. These mineral purchase offices are already actively involved in the Kimberley Process Certification Scheme and thus represent an important component for the implementation of transparency at the mineral export stage. Building synergy between the KP and the EITI could facilitate more transparency in the artisanal and small scale mining sector.

Ultimately, in order to build a nexus between transparency initiatives and the artisanal and small scale mining sector in Cameroon, it is necessary to:

1. Extend representation in the EITI Multi-Stakeholder Group in Cameroon to include mineral purchasing offices. Their inclusion in the EITI would provide the artisanal and small scale sector with representation in the transparency initiative, and would permit the state to monitor their revenue operations if revenue under declaration by these mineral purchase offices does not otherwise become a norm.
2. Include in EITI conciliation reports, the financial flows generated by the mineral purchasing offices and reduce the materiality threshold established for the various EITI reports; or produce a segment in the EITI conciliation report that will report payments or receipts below the materiality threshold set by the EITI committee to capture the artisanal and small scale mining sector.
3. Build out synergies between the Kimberley Process and the EITI committee so that there can be mutual benefit from each initiative.

Integration of mineral purchasing offices into the EITI Multi-Stakeholder Group will not be a panacea for transparency in the artisanal and small scale mining sector in Cameroon. However, it can serve as an important first step in increasing monitoring of revenue generated by the sector. This can, in turn, help reinforce and complement the monitoring activities that National Secretariat of the Kimberley Process and CAPAM, as these organizations, with limited material and human resources, may be challenged to systematically record all transactions from production in the field to commercialization of the minerals.

¹<https://minerals.usgs.gov/minerals/pubs/country/2013/myb3-2013-cm.pdf>

²<http://www.camer.be/60192/11:1/cameroun-wwf-initiates-public-dialogue-on-sustainable-mining-in-cameroon.html> Between 2012 and 2014, 11754 authorizations for artisanal mining were issued.

³http://www.cifor.org/publications/pdf_files/Books/BChupezi0901.pdf

⁴ Cameroun: Rapport de Conciliation de Flux Financiers et des Volumes Relatifs a L'exploration et l'exploitation des Hydrocarbures et des Mines Solides au Titres de l'année 2013 Juin 2015

⁵ *ibid*

⁶Brice R. Mbodiam <http://www.businessincameroon.com/mining/1207-6370-cameroon-concealment-of-quantities-of-gold-produced-by-gold-miners-leads-to-loss-of-fcfa-one-billion-per-month-for-state>

⁷ *Ibid.*

⁸ *Ibid.*