

## Panel 3 – The Gold Supply Chain: From Mining to Export

**Gilson Camboim - Organização das Cooperativas do Brasil (OCB)**

Sometimes in indigenous areas, we see things in restricted areas that are not 'garimpo' (small-scale alluvial mining), never were, nor are they mining, and never were. That is illegal extraction. That is a crime; extraction there is not permitted by law; it is a crime, and the rigours of the law apply to this matter. Therefore, from now on, everything I discuss, I am referring to the *garimpeira* (small-scale alluvial) activity that holds a mining title and an environmental licence, that complies with regulations, that has requirements and verifiable origin.

Well, I will use Coogavepe as an example, but I can state, affirm and assure you that dozens of other cooperatives have good practices just like Coogavepe. Coogavepe's history of sustainability does not begin in the present day; since 2016, we have had the Cooperativism award called SomosCoop, and it was one of the prize winners in sustainability, which is where the pillar for those working with mineral administration begins.

Mercury, which is one of the villains in my activity, we face some problems in trying to eliminate it because it is practical, it is fast, it is cost-effective, it is efficient, and it is recyclable. But we are working on various other technologies, such as nanoparticle technology, mechanical processes, vegetable-based processes, and even those who use it comply with the international Minamata Protocol.

But there is a point: we have a project called 'Ouro Sem Mercúrio' (Gold Without Mercury), which is a project by the Ministry of Mines and Energy itself, and this is already being carried out to work on all these technologies and advance further. This is one of the issues that Coogavepe has embraced concerning the elimination of mercury. We are currently working on some mining fronts using the vibrating table and various others with concentrating sluices, and subsequently carrying out the refining. And then there is the question: is it possible to eliminate mercury? Yes, it is possible to eliminate it. So, there is work to be done in terms of culture, education, training, and guidance. It is not very simple to make this radical change, but it is certainly possible for us to achieve elimination. We had a visit from the 'febre do ouro' (gold rush) people there who saw that we managed to process and refine without the use of mercury.

How does the area rehabilitation issue work today? The Cooperative promotes the production of seedlings; about 60% of the seedlings are allocated—this is our own nursery, alright? Since Coogavepe's creation, more than one million seedlings have been produced. So, in terms of our own nursery, in the last two years, 60% of the seedlings have been allocated for the rehabilitation of areas promoted by our cooperative members; the other 40% we have allocated to society, the population, family farming,

and various other entities. This is our nursery, and our production capacity is around 25,000 seedlings per harvest.

How are the areas rehabilitated? You level the soil, you add the organic material, and then you can cover it. We have this other example that sometimes shows that the visual impact of the open area is indeed strong, but we are talking about an area where you only work with the natural resources there—it is the water and the gravel itself where the gold is, right from the levelling. And then some of the areas are still used as watering holes for cattle, among other uses. A cooperative is made up of the local population of those regions, and a cooperative is designed to look after people, and it is no different with Coogavepe and the mineral cooperatives.

So, we have dozens of projects, ranging from working on issues in schools, training, technical guidance for cooperative members, partnerships with other cooperatives, health projects such as a home for the elderly, and river clean-up, mobilising various entities. So, you can easily see these actions on our social media networks and those of our cooperatives.

We have various works. We had the PLD (Money Laundering Prevention) booklet, which had that resolution; this issue of PLD was one of the works we did with our cooperative members. This booklet you see there was an initiative by a writer in our region who was creating financial education for children, and the cooperative joined him in the second edition with these three capybaras. The purpose of this first edition is to show that to carry out mineral extraction, you first need to take care of the legalisation part, and extraction has criteria to be followed, rehabilitation, and all the rest. Next, the next booklet, which is already in the planning stage, begins to address financial planning, because you have an economic activity, and this economic activity starts generating money for you, and so on. And the other booklet I brought there contains guides that directly provide our managers with good practices, ranging from the issue of slopes, the way to deal with the water jet, safety items, among others, which are some criteria that have started to intensify a little more.

Why can cooperativism be a key that strengthens increasingly, and especially small-scale mining, not only in Brazil but for the whole world? It is because, in less than 11 years, cooperativism is being recognised by the UN for the second consecutive year, where it brings, in this case, various criteria. And mineral cooperativism brings this issue of the rehabilitation of degraded areas; it promotes, in this case, a fair distribution of income because it is composed of small operators, and these small operators are the local population, the training of children and adolescents, as I showed some work, the elimination of the use of mercury, which is a quest that we have been pursuing for some years, seeking universities and all the rest to try to achieve, the implementation of traceability, which will be directly linked to the combat against money laundering. So, it will bring an extra layer of security for us, the organised sector; it will be a way for us to separate the wheat from the chaff, as some say. So, we will indeed be able to differentiate ourselves: 'garimpeira' activity is one thing, illegal extraction is another. The dozens of social and environmental actions that our cooperatives promote: we have regions where malaria was eradicated, thanks to the work of one of our cooperatives.

During the pandemic, dozens of our cooperatives were the ones that sometimes managed to pre-purchase respirators for the population and genuinely help the health sector, as was the case even in my region.

The coexistence between the cooperative and mining. This is another point. With the Ministry of Mines and Energy and the Brazilian Mining Agency (ANM) here, how many historical conflicts have we had in the history of our country between the large and small operators? With the structuring, the cooperative arrangement managed to promote this alignment, where the cooperatives bring this legal security. And where there is an industrial mineral that interests the mining companies, they are managing to develop the research work, just as there are 'garimpáveis' (alluvial/small-scale amenable) minerals, and they are directing cooperative members and the cooperatives to operate.

And then it comes down to this: we saw that everything the cooperatives are doing is precisely to meet not only a matter of legislation but mainly to meet market requirements. It would be hypocrisy on our part to say that our main objective is not financial gain. Everyone is in their activities and roles for financial gain, and so are the cooperatives. Cooperatives are non-profit organisations, but they must have economic viability. And so, we meet all these criteria: taxonomy, SDGs (Sustainable Development Goals), everything we set out, you see that the cooperative manages to meet and supply so that we can bring legal certainty to the market, that we can bring transparency to our production, and above all, we can, in this case, bring a fair and clean market. And so, the cooperatives have all this demand, which we have with this panel, with these events, that you reflect on how much you can sometimes support us increasingly, just as the UN recognises cooperativism as a market arrangement that has been efficient and strong.

We have Resolution 208, and for cooperativism, it brought quite impactful points, especially concerning the areas that the cooperatives currently occupy. Less than 4% of the subsoil is mined, and even so, they are being impacted by the size of the areas. Are there positive points in Resolution 208? Yes, there are excellent points; it improved our mineral assets so that we have a fairer use of these mineral assets, and it better promoted the relationship between the cooperative and the mining company, allowing the PLG (Mining Lease Plan) to grant *anuência* (approval) for the necessary licence. So, there are positive points, but we must reflect on the reduction of the area, which is one of the bottlenecks that worries us somewhat.

So, there are several things we can work on, in the diamond sector, certification, and others in cooperativism that are not relevant here, but we are always aligned with all this to fulfil and meet what the law and the market require and desire. As a foundational pillar, we have been trying to do our homework, to meet everything that is in the criteria. Yesterday, we had presentations here on traceability, and I will point out a situation that worries us: traceability will, in this case, bring transparency to our production. It genuinely came from this area, this area did not have 'transbordo de lavra' (transfer of mined material), this area is not, in this case, carrying out 'esquentamento' (legalisation of illegal gold), this area passed through so-and-so, through such-and-such, and arrived at a specific place. And will the red channels at the Receita Federal (Federal Revenue) be able to see this? Because this has been a problem for us, because when these red



channels occur, it burdens the sector, and when it burdens the sector, it creates an opportunity for the informal market to knock on the door of those who are legal and harass them with exorbitant prices because they do not collect tax, because they commit all the evasion. So, for us who are in the legal sector, it is a very great difficulty. Therefore, in traceability, it is fundamentally important that it brings the security so that the Receita Federal, that the red channel, does not happen in this type of production, and we can have some success in this.

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### Marcelo Brunella Aziz Jorge – Director of Legal Affairs and Governmental Relations, ANORO

We would like to briefly present our perspectives on the market today. How we arrived at this scenario, and how we can not only discuss the problems but also move forward through dialogue with both the public sector and other members of the private sector to overcome this difficult moment we are currently experiencing for such a strategic market as ours.

Speaking briefly about what ANORO has already contributed to our supply chain, we have been participating since the 1980s, when we took part in the National Constituent Assembly, at a time when Uruguay was the largest gold exporter in Latin America without having a single gold deposit. In cooperation with the Banco Central (Central Bank), so much so that in the opinion of the Bacen (Central Bank) prosecutor's office, this scandalous scenario was made clear: there was absolutely no gold beneficiation in Brazil. Moving forward with the full integration of this sector into the national security system, we began to adopt *compliance* rules following the urgent international standard for this sector at the time. Until, in 2017, we started knocking on doors, month after month, year after year, in the search for the electronic invoice for gold. It was not until 2020 that the Receita Federal (Federal Revenue) finally created a working group, along with the Central Bank, the Federal Revenue, the Polícia Federal (Federal Police), and even the ANM, with which we managed to establish, including, the operability of the electronic invoice for gold, and we maintain an open dialogue with the Federal Revenue to constantly seek its improvement to have ever-greater clarity in the information.

We also participated in an agreement at the time with the DNPM (National Department of Mineral Production) to conduct a survey on the scenario of 'garimpeira' (small-scale alluvial mining) operating permits. At the time, we had approximately 70,000 PLGs (Permits for Garimpeira Mining) requested since 1990, and until then, only 4,000 had been granted licensing. We, in the financial sector, understand that the strengthening of the ANM as a regulation federal agency is fundamental for us to have the moralisation and, especially, the ethical reestablishment of the sector. Having a strong regulatory agency is essential for us to have a new gold market in Brazil, not least because gold is not just an asset, it is not just a mineral that generates money, it is primarily an extremely strategic asset, and the ANM must be the focal point of this. According to this survey, we still had 36,000 processes under analysis, of which approximately 500 were insufficient to regularise the Tapajós region, which is the largest gold-bearing pole in Brazil today.

In 2018, we denounced, through an open letter, the scenario of Gold Irregularities to public institutions, via an open letter that explained the state we had reached regarding the advance of illegal operations and the issue of commercial exporters that were circumventing the current legislation. In 2019, we requested a realistic diagnosis of the 'garimpeiros' situation, and we had between 17 and 20 approximately 52 hearings addressing this subject, seeking precisely greater legal certainty and the construction of effective and structural public policies for the gold sector.

In 2023, following guidance from our regulator, the Banco Central do Brasil (Central Bank of Brazil), we began the development of traceability systems for each financial institution, in which each DTVM (Securities and Exchange Dealer) had to undergo validation by the Central Bank, and today we continue to advance and hope for a public traceability system to emerge, as presented yesterday by both the ANM and the Casa da Moeda (Mint), so that we can have an integrated inter-agency dialogue, allowing us to be effective in the transmission of information between the main agents in the sector.

The global scenario that further complicates our situation is de-dollarisation, multipolarity, the increase in gold demand by the world's main central banks, changes in gold regulation by the largest state buyers, both the American and the Chinese states, and the advance of international conflicts. Yesterday, we were close to breaking another record at the close of international stock exchanges, and where we enter here in Brazil is the pressure from countries holding rare and strategic minerals, with the advance of foreign capital and hindering the production of national capital.

In the scenario of Brazilian gold, from our perspective, with the precautionary measure and the advance of the *Declaração Consular de Boa-Fé* (Consular Declaration of Good Faith), we moved to a scenario of legal uncertainty in the commercialisation part, regardless of the merit of the decision. Unfortunately, there is an interpretive conflict between regulation authorities on the export side, as well as some sectors of the police authorities, who apply technical understandings that are difficult for the sectors, they are very costly. Some understand that in doubt, the benefit should be given to the defendant, and others that in doubt, the benefit should be given to society. And just as Gilson said, this also ends up generating conflicts at the time of export.

Gold from 'garimpo' (small-scale alluvial mining) is, by nature, legal, a financial asset. It is the only mineral sector in Brazil that is obliged to industrialisation due to its very nature. It adds capital to Brazil, it adds value to the country. It adds not only financial capital but also intellectual capital, developing its own national industrial park, training and keeping minds in the country.

Thus, every time there is no security in the export of gold or security in the commercialisation of the internal market, we have a loss in the value of this gold, and we start to have a crisis in the image of our sector, both domestically and internationally, because it precisely weakens this supply chain and also ends up generating the advance of the illegal market over the legal market. This is because the illegal market ends up offering more advantageous financial benefits than the legal market, which is obliged to

collect income tax, charge for ESG (Environmental, Social, and Governance), charge PLD (Money Laundering Prevention), and all the other necessary sector regulation.

The combat against illegality is fundamental; we are the sixth largest geography in the world and one of the largest gold deposits in the world. However, we need to make the illegal activity economically unviable. Only then will we be able to, by integrating the internal market for gold, taking advantage of our industrial park, we need to have an improvement in the business environment, mainly with our legal certainty, an objective regulation of both the civil, administrative, and criminal liability of each end of the exploitation. The small artisanal miner who produces false information to sell or uses fraudulent public documentation from Brazilian authorities to sell to a DTVM needs to be penalised, and the DTVM that committed an irregularity, likewise. Thus, the people need to be certain about their regulation and their punishment. Unfortunately, today, we do not have this certainty. Each police authority and each customs authority decides in its own way how to interpret this regulatory vacuum. Although there are generic rules for commercialisation and export, everyone makes their own demands, using the Supreme Federal Court decision as support, which does not have this extent, on what to demand, making market security increasingly difficult.

Gold anywhere in the world is based on trust; the moment you break this single link in the formal market, you push a relevant sector of this market into informality, and we end up walking a dangerous path. Precisely because of this, the constitutional option of 1988 was to create Gold as a Financial Asset. So we need to be careful not to regress, to return to the same scenario where our minerals, our wealth, were no longer produced in the country, and we returned to the colonialist logic of simply being a mere commodity exporter.

Our proposals are that gold as a financial asset, when destined for industrialisation, in all its applications, be considered a store of value and receive differentiated treatment, precisely to aid the development of national industry and keep this capital within the country, to keep this wealth within the country, and to avoid 'descaminho' (smuggling) and others under study, the non-export of crude gold, to have better control of production. This, together with effective traceability solutions by the public agencies, we understand can be a preponderant factor in transforming Brazil from a mere gold exporter to one of the main branches of industrial transformation of gold.

This is precisely the difficulty that the government, both the President and the Vice-President of the Republic, have been pointing out specifically, in addition to an inter-agency task force that we, on the private sector side, are fully committed to assisting to improve the business environment in mineral extraction, precisely to avoid these contradictions in information. So, how can we work together? How can a productive sector, whether on our side of commercialisation, the exploration side, or the transformation side, act in conjunction with the government, both with direct and indirect administration, to give more security to this sector.

And finally, it is important to remember that gold is more than a strategic mineral. Gold throughout Brazil's history has always been a fiduciary asset for National Survival;



'garimpeira' activity was what helped expand national borders, and today it changes reality through the circular economy, through cooperativism, and can also be the beginning of a spearhead for developing the country. We have full confidence and certainty in this and believe that we can leave here with good hope.

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### Écio Moraes – President of the Brazilian Institute of Gems and Precious Metals (IBGM)

In particular, and Marcelo even raised this topic just now, the importance of working towards greater integration among public bodies, a partnership between the public and private sectors, and even among the agencies themselves. This even fulfils a legal precept, Article 37 of the Constituição Federal (Federal Constitution), which determines that all government bodies, across different spheres, operate with legality, impersonality, morality, publicity, and efficiency—I would include integration. We need to make this effort; I believe this forum goes very much in that direction.

The IBGM is a confederation of the jewellery sector, so we represent the productive chain of the jewellery industry in Brazil. We basically do what a business class association does: we promote, we have an institutional role, liaising with the government, we organise the largest jewellery fair in Latin America, twice a year in São Paulo, etc.

Here are some statistics just to give us a sense of the jewellery industry. A distinguished unknown—something that surprises us a little, and we will see why. The jewellery industry is not yet fully involved in this national effort, which should be towards a more sustainable gold production chain industry. We are talking about an industry that turns over 6 billion per year, R\$22 billion in retail, accounts for an annual gold production of 110 tonnes, yet our industry consumes only 10 tonnes, meaning 10%.

We will see international examples that draw attention, countries that do not produce, or have negligible gold production, and industrialise gold in their jewellery industry. We are one of the largest gemological provinces on the planet; Brazil is a mineral powerhouse, particularly in the most valuable minerals—gold and gems—we have international prominence, always have, we have won several international jewellery design awards, and our industry, unfortunately, which once processed 25 tonnes of gold per year, has now fallen to 10 tonnes. We will try to understand a little bit why. There are 150,000 jobs generated, there are 40,000 establishments among industry, commerce, and services. Here we begin to understand the importance of the jewellery industry.

Global consumption by the jewellery industry of the gold produced in the world approaches 4,000 tonnes; the industry demands 2,000, and has previously demanded up to 70% of the primary gold produced worldwide. That is to say, we have every interest and legitimacy to participate in this debate on the transparency of the gold production chain. With the exception of the investment market, the jewellery industry stands out fully in the demand for gold.

And here we have a sequence of problems that the jewellery industry faces in Brazil. The first of them is that large-scale mining has no interest, practically no interest, in operating in the internal market, basically for two reasons: the problem of a tax nature—exporting is much easier. And another logistical problem—large-scale mining has few international clients, puts the gold on a helicopter, refines it abroad, and if it were to sell in the internal market, it would refine it here, selling a 1kg, 2kg bar, etc.

So, where will the jewellery industry source its supply? From small and medium-scale mining, which is facing all these problems we are discussing here today. So, these 10 tonnes that the sector acquires are basically purchased from the DTVMs. Those under the simplified tax regime transform this into commodity and sell the jewellery. Notice the level of instability the sector experiences: if a company under the simplified regime decides to buy gold as a commodity, for example, to take advantage of tax credits, if it uses the simplified regime, it cannot take advantage of the credit. I will not delve into these technicalities, but it is a serious problem the sector faces. What was a solution for the financial market—until 1988, gold was taxed by the Single Tax on Minerals, and in the 88 Constitution, we created tax duality, gold as a financial asset and gold as a commodity—was a solution for the financial market but created enormous instability at the source for the jewellery industry. It will now be resolved with the tax reform, but it is a topic we would like to bring to your attention that generated another problem.

So, today, due to the crisis, there is a concrete risk of constraint on the legal supply of the metal. At the height of the crisis, when we had the Yanomami problem, different issues with the DTVMs, we were left with one DTVM serving the jewellery market, and at that moment, there could have been a constraint, a lack of access to gold. So, an industry that generates 50,000 jobs, exports 50 million dollars, is an asset, but it runs the risk of having a constraint on metal supply.

And worse than that, the sector's image abroad was the worst possible, because when we participate in many export projects, and the international client would approach the business owners asking what was happening in Brazil, these problems in indigenous territory, illegality, organised crime, where do we buy the gold? So, it is not only a difficult supply constraint but also a minor reputational risk. At the height of the crisis, some Globo artists appeared on television and said, "Let's stop buying jewellery," because jewellery is the final destination for gold. We know that, in reality, we consume 10% of national production, but that is the narrative. So, this generated enormous concern in the jewellery sector, and we started to get more involved, to seek to better understand the problem of gold origin.

We have partners here; we had several meetings with the Casa da Moeda (Mint), even the Ministry of Mines and Energy (MME), the Instituto de Escolhas (Choices Institute), COAF, and we are making an effort to connect the ends. I think this is the great role of the IBGM, to try to connect the ends and see how the link at the end of the chain can contribute to a more sustainable and traceable market, and we have been doing this for the last three years, and that is what we will show next. Therefore, the jewellery sector demands more than 50% of the world's primary gold and, consequently, has an interest in flowing into this debate.



It has a multiplier effect, and I was very happy to see an interview with Dr. Mauro in the *Valor Econômico* (Economic Value newspaper), when he speaks, inclusive, of the importance of adding value to the mineral asset produced in the country. It is a tremendous challenge and a challenge for all of us. And the jewellery industry is where the multiplier effect takes place, where jobs are generated, where international currency is generated, where Brazil's image is sold with Brazilian *design*. Brazil has an exceptional cultural background for the jewellery industry, and we can contribute to the traceability of the asset, given that we are at the final account.

We are a regulated sector, as the COAF representative mentioned here, so we have an obligation, even by Law 9,613, to prevent the problem of money laundering and adopt a risk-based approach. *Know your client, know your supplier*; we need to know our supplier, who is supplying this gold, under what conditions this gold has reached the Jewellery Industry. We have every interest in this work.

So, what have we been doing? This is not a criticism; it is an observation, even as a Brazilian citizen, and I reiterate, if I were to summarise this forum here in two words, it would be efficiency and integration. The importance of working in an integrated manner: the private sector, the public sector, the different public sector bodies. We also represent the Gemstones segment, and I usually say that there is a latent distrust today between the public and private sectors; we need to break this down. The research developed by USP (University of São Paulo) shows that when you ask more than 60% of the 'garimpeiros' what is the main requirement for the sector's advance, the answer is legalisation. Everyone wants to work legally; we cannot assume that we do not want to work legally; we need to assume the opposite: there is a predisposition in the private sector to work correctly.

So, what have we been doing? The Baixada Cuiabana (Cuiabá Lowland) is one of the gold production centres in Brazil; it has always been a partner of ours. And now we have moved forward, and it will be launched today or tomorrow. Tomorrow, we will sign six cooperation agreements with six small and medium-scale mining companies in the Baixada Cuiabana. These mining companies do not use mercury and have committed to the IBGM to implement traceability models, and the IBGM commits to developing and seeking funding sources for the industry to acquire this gold, originating from the Baixada Cuiabana. They are largely able to meet the demand of the jewellery industry in Brazil today, and we are in conversation with some financial institutions, so we are very optimistic about this project.

And what is our commitment to these companies? Institutional collaboration for the promotion of mercury-free gold mining, meaning not only by them but also us promoting this in the surrounding area; we have about 30 operations in the Baixada Cuiabana, but the idea is to expand this to all others. Instituting traceability and certification mechanisms, stimulating value aggregation and the acquisition of gold by the jewellery industry, financial stimulus (bonus). What is this bonus? It is what Professor Giorgio mentioned yesterday: we need to actually create some additional stimulus for the producer who does things correctly and properly, and the jewellery industry is willing to

pay a premium over the stock exchange value to have transparent, traceable, and verifiable-origin gold.

Articulation with government bodies for the banishment of mercury, which is more or less what we have been trying to do with different government agencies. I think this is the great role of the IBGM, to connect the ends, to bring these plans together, to bring the actors in this market together in pursuit of this effort. Articulating with universities for the development of traceability technology, following the example of the *Responsible Gold Platform*, which is from USP, and is a partner of ours—in these three, four years that we have been making this effort, Professor Giorgio is always here with us. We make ourselves available to the market to discuss the best way to do this. So, the Baixada Cuiabana is one of the largest gold production provinces; it is an easier region to monitor.

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### Moderator – Dione Macedo, Geologia Responsável

The panorama of Artisanal and Small-Scale Gold Mining in Brazil was completed in July, at the end of July, and was a partnership with NAP Mineração, with the Foundation, the funding was from the GF, and I was very happy as a consultant to see that all the proposals you made in the presentations are in our panorama, aren't they? And that we genuinely managed to detect several bottlenecks that you are presenting, didn't we? And the extreme importance of this forum for that.

I would like to ask one question to each of you to conclude our session here. I will start with Gilson.

I know you have presented your proposals, okay? I would like you to highlight, Gilson, given the importance of cooperativism, which we are constantly emphasising, as it is the solution for Artisanal and Small-Scale Mining in my view and in the view of the project: cooperativism. So, I would like to know from you, how would you point out the most urgent measures, some more urgent measures for you to see how cooperatives could participate in a more effective, more competitive, and fairer way in this gold value chain.

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### Gilson Camboim - Organização das Cooperativas do Brasil (OCB)

That is a necessary question because, as I mentioned, the issue of a red channel—we strive in every possible way to try, in this case, to comply with what the market demands, and this has a cost; it is a very significant differentiator for us who are always striving to do things correctly. And that is one of the points, this bottleneck that Écio accurately raised: the issue of agencies being able to speak, agencies being able to communicate. If we have a public traceability system, which the Casa da Moeda (Mint) presented yesterday, and this traceability arrives there, will I actually be served by the green channel?

Another point we see often is this: those who do the right thing expose themselves. In our case, for those of us who have the mining title and the environmental licence, it seems easier to punish us, it is easier to catch us, to see this situation. And we see so much illegal extraction, we see so many problems happening, sometimes right next door, sometimes in the vicinity, and the pollution, when it arrives, seems even milder. So, this is a constant struggle. I say this because I have been in the sector for over 20 years.

Therefore, this lack of communication between the agencies and the more intense punishment upon us because it weighs a little more in the context—we have to work together on this punishment against illegal extraction, against these problems, these environmental scourges.

And a third point that I will also mention is the lack of incentives. Some time ago, a public notice was issued, and cooperatives could not participate because they are non-profit organisations. We are not just an institution; we are a non-profit organisation, but we have economic viability; we comply. So, everything you have seen today within the sector has grown on its own, it has grown with its own resources. Although people say that I work with gold, and everyone has that perception that if you work with gold, your profit margin seems exorbitant, it is not, and that is why one is often tempted to sell to the black market, because sometimes there is a difference of five or ten reais per gram and when you look at the total amount, the account closure, the operational cost, and everything else, it makes a very big difference. The lack of incentive, the issue that was very well placed—a premium for those who do the right thing—that makes a very big difference.

So, these are the bottlenecks we face today. Firstly, the lack of dialogue between the agencies that are acting, inspecting, regulating, and the agencies that are acting and incentivising. This lack of communication harms many people. We need to be closer together. The MME (Ministry of Mines and Energy) at one time had a round table where the ANM, the Ministry of Health, the Ministry of the Environment, the Ministry of Defence, several ministries sat on that Council, and what I have already come to present in this council in this regard is lacking: a lack of communication between the agencies, a lack of incentive for the sector to be able to advance, to improve, to refine technology.

On a slightly different point, the idea that 'garimpo' (small-scale alluvial mining) is just about hitting things is not correct, just as agriculture is not only about using a hoe. The mining sector, even small-scale, is improving; it needs equipment, technology, refinement, and rational use of mineral assets, as is the vision of the agency. Since you are removing the gold, you have moved the soil, you have moved certain mineral assets, there must be a proper utilisation. And this market bottleneck too: we need fluidity in our product because gold is like a currency; the price fluctuates every day. A week where it is held up in a channel completely jeopardises all the planning.



## Moderator Dione Macedo

Marcelo, we have seen that the commercialisation of gold generates many criticisms, haven't we? It has been subject to much criticism regarding transparency, reliability, among others. In your view, could you highlight some legal points that you consider fundamental to at least address part of this?

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## Marcelo Brunella Aziz Jorge – Director of Research, Instituto Escolhas

In addition to what Gilson said, we have endured a genuine defamation campaign against Brazilian gold in the international market. We have noticed that many new international buyers often prefer to purchase gold from conflict areas than to buy Brazilian gold, because they are certain that the gold from the conflict area will be delivered. Meanwhile, the Brazilian gold is frequently held up for 50, 60, 90, or 100 days at the Receita Federal (Federal Revenue), often requesting documents that are not stipulated in the specific regulation.

Our difficulty today is the lack of specific legal regulation and inter-agency dialogue to ensure the reliability of this information. Often, due to the diversity of information sources, we ourselves are left in doubt about where to consult, where to be certain of that information. The most reliable source is always the Brazilian Mining Agency (ANM), but we always have to invest our own capital to search for other private databases to carry out all the PLD (Money Laundering Prevention) requirements. A more objective and precise regulation for our sector, I believe, would be fundamental. Firstly, because it would give confidence in our processing, in the commercialisation of this mineral, and secondly, it would also provide legal certainty, including for the public agent who is at the other end, who has the duty of oversight and often does not know specifically what to inspect. That is our perception.

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## Moderator Dione Macedo

Écio, in your perception as well—you have already mentioned some fundamental, basic points—what do you think could be done to further develop the jewellery sector's role in contributing to local development, particularly given that we do not have a specific, viable supply chain for the jewellery sector?

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## Écio Moraes – President of the Brazilian Institute of Gems and Precious Metals (IBGM)

Before responding, I would like to say to Gilson, our understanding is that the cooperative is central to this fundamental effort. I am one hundred per cent in favour of strengthening,

giving more authority, and giving more autonomy to the cooperative. It is essential in this context. I think we just need to differentiate when we speak, because everything is mixed up today: small-scale mining, PLGs, and the individual who has a medium-scale mining operation, so the treatment may be the same.

Regarding the jewellery industry, the approach must be holistic. There is not just one issue. I would like to stress that I think the absolute priority right now is the integration between the agencies to give more consequence to this point we are discussing here. The ANM does not have access to the electronic invoice that it designed; the Receita Federal (Federal Revenue) does not communicate with the ANM, does it?

For example, the jewellery sector, we are in a struggle not to be penalised by the IPI (Excise Tax); this is absolutely fundamental for us. If we are penalised by the IPI in the context of the tax reform, our IPI is 12%, and the pressure towards informality will be enormous. Our contribution to greater transparency in the gold production chain will be compromised. And our understanding is that the actions must be articulated: strengthening the cooperatives, reviewing the legal framework, and repression. However, repression alone is a necessary condition, but far from sufficient. So, we have had much more intense repression in this government, and the market has somewhat regulated itself, etc., but to what extent? We clearly understand that a large part of the small-scale gold mining production in Brazil is going to Venezuela, it is going to Peru, it is going to organised crime. Therefore, the actions must be articulated across government, involving the Polícia Federal (Federal Police), Receita Federal, and IBAMA.

For you to have an idea here, everyone, we made an effort for the jewellery industry to be more involved in mineral traceability. And we met with government agencies, and we were alerted that mercury is a very serious issue, which it is, in small-scale mining today. Then we had a meeting with Abiquim (Brazilian Chemical Industry Association), and I said, well, the jewellery industry wants to help, let's meet with Abiquim, and I asked: who imports mercury in Brazil? Can you indicate a company to us to import a batch of mercury that can comply with the IBAMA (Brazilian Institute of Environment and Renewable Natural Resources) normative instruction on mercury tracking? We had the meeting with them, and they brought us data. Mercury import into Brazil last year and the year before was 12 tonnes, just one company, it was all from Japan. They cannot identify where this mercury went. So, what we are not saying here is that a good part of the mercury used in small-scale mining is illegal—it probably is.

What is the difficulty for the government to get involved in this story, and for us to identify a company, have a commitment from the company, saying: "You are going to import, we will be with you, shoulder to shoulder, you will not be penalised if something happens." So, we need to disarm ourselves; we need to have a concentrated effort and acknowledge the problem; the problem is extremely serious. I had a meeting with the Ministry of Justice and told the Secretary that we need help, a focal point to assist us, and he told me that the focal point is the MME (Ministry of Mines and Energy). But we perceive that things do not communicate very well, so I think if there were two keywords, they would be integration and efficiency. And the jewellery sector is here to help.