

# Partnerships for critical materials management

Enabel contributes to promoting mutually beneficial partnerships for a sustainable and fair mining industry by strengthening European and international ESG regulatory frameworks.

## Introduction

Against a backdrop of renewed industrial policies, including those of the European Union (EU), strategies to reduce global supply dependencies are driving up demand for critical materials, which are essential to the technology, energy, military and electronics industries (European Commission, 2023). Third countries, particularly in Africa, are key partners. Because of their rich endowment in critical metals and minerals, as well as a lever for industrialisation. It is an opportunity to strengthen mutually beneficial partnerships between the EU and its partner countries, to create decent jobs, local added value and reduce supply dependency.

However, for many mining countries, their dependence on natural resources also poses macroeconomic and governance challenges, often referred to as the 'resource curse' (Arezki et al., 2023). A country is considered to be dependent on natural resources when mining revenues exceed 20% of total fiscal revenue and of total exports, respectively (IMF, 2012). Applied to Belgium's cooperation partner countries in Africa, between 2018 and 2020, these criteria show that 13 out of 17 countries are dependent: Democratic Republic of Congo, Central African Republic, Burundi, Mozambique, Tanzania, Uganda, Mauritania, Morocco, Burkina Faso, Guinea, Mali, Niger and Senegal.

The mining industry is particularly complex and certain types of projects are considered high-risk investments. In addition

to geological uncertainties, the sector faces several entry barriers, intensive energy consumption, high capital costs and significant ESG (environmental, social and governance) risks. It is essential to support public and private players in the effective application of international and European frameworks governing the sustainability of mining activities.

## Background

### European mapping of critical materials

Starting in 2020 the European Commission identified thirty critical materials essential to the European economy (European Commission, 2020 & 2023). In 2023, the EU extended its screening to eighty-seven materials and assessed their supply risk and their importance for the economy. Sixty of them were identified as critical and are subject to specific monitoring, i.e. a criticality assessment (SCREEN2, 2023).

Several critical materials are used in strategic sectors such as energy, defence and space. Rare earths, cobalt, nickel and tungsten are used in military systems (missiles, radar, engines) and energy transition technologies (wind turbines, solar panels, etc.). Lithium, graphite, silicon and phosphate play a key role in batteries and energy storage. Other ores, such as beryllium, hafnium, zirconium and rhenium, are used in space, military and nuclear reactor applications.

### Critical Raw Materials Act (CRM Act)

In force since 23 May 2024, the European regulation known as the CRM Act establishes a framework aimed at accelerating the development of mining projects within the Union while supporting the diversification of import sources of strategic and critical materials (EU, 2024).

Its aim is to reduce the EU's dependence on external supplies of critical materials, by diversifying sources of supply from third countries. In accordance with Article 5, §1.b of the CRM Act, no more than 65% of the Union's annual consumption of each strategic material, at any relevant stage of processing, may come from a single third country.



The Regulation aims to strengthen the resilience, sustainability and competitiveness of the EU's strategic value chains. To this end, it encourages Member States to support the implementation of strategic projects in third countries, provided that they are sustainable, inclusive and mutually beneficial. These projects must:

- contribute to the creation of local added value;
- reduce the risks associated with supplying the Union;
- improve the critical materials processing capacities (Articles 5 and 6).

In this context, the identification, selection and support of strategic investment projects throughout the value chain, in partnership with third countries, are essential levers for achieving the objectives of the regulation (Art. 7).

Article 37 of the regulation sets out the EU's international cooperation objectives for implementation in third countries and gives Member States a role in that they "may support the Commission in the implementation of the cooperation measures set out in Strategic Partnerships along the materials value chain". The EU has signed strategic partnership agreements with 14 countries, including the Democratic Republic of Congo, Zambia and Namibia.

### NDICI - Global Europe Regulation

The NDICI (Neighbourhood, Development and International Cooperation Instrument) and its financial instrument EFSD+ (European Fund for Sustainable Development) are the main tools for implementing the external pillar of the CRM Act (EU, 2021). Although the mining sector is mentioned in a limited way, the annex refers to the need to guarantee equitable, sustainable access to mining resources while respecting human rights, emphasising transparency, due diligence on the part of investors and the fight against corruption (Annex II, Art. 5). The EFSD+, which offers guarantees for debt or equity financing, a credit risk management framework and technical assistance, aims to support mining investments across the entire critical materials value chain – from exploration to recovery, including recycling – while promoting decarbonisation, waste management, energy efficiency, compliance with social and environmental standards, as well as the integration of local SMEs into circular value chains connected to the European market.

### Belgium's position in the mining sector (under development)

The FPS Foreign Affairs is preparing a strategic note on critical materials. Belgium focuses on mutually beneficial partnerships and builds on initiatives such as the CRM Act and Global Gateway, while collaborating with other Belgian players and exploring European partnerships. Its areas of attention include transparency and sound management of natural resources, mobilisation of national resources and commitment to sustainability through compliance with ESG standards. It also focuses on due diligence to ensure responsible practices throughout the supply chain, in line with the OECD Due Diligence Guidance for Responsible

Mineral Supply Chains (2016). Another strategic focus is on artisanal and small-scale mining, taking into account issues related to local fragility and conflict prevention, in order to guarantee investments that promote inclusive and sustainable growth.

### Enabel's positioning

Enabel is committed to fostering the emergence of strategic and mutually beneficial partnerships in support of an inclusive, sustainable mining industry that is a catalyst for structural transformation. This commitment takes the form of support to strengthen regulatory and institutional frameworks, with the aim of stimulating the development of local content, maximising the local economic impact, and ensuring compliance with ESG requirements in line with European and international standards. This approach is helping to lay the foundations for responsible industrialisation, generating decent jobs and local added value, while helping to secure and diversify European supplies of critical metals and minerals.

Enabel aims to focus its efforts on capacity building in jurisdictions where governance systems lack resources, by supporting the improved application of national and international legal frameworks for more transparent and sustainable management of mining resources that create decent jobs. Enabel will ensure real additionality by ensuring that its projects complement and reinforce the obligations and investments of the private sector, without replacing them.

In terms of partnerships, Enabel works with the EU via the NDICI Global Europe Regulation, supporting projects aligned with sustainability, green transition and local added value creation priorities. This collaboration comes with a Team Belgium approach and the creation of synergies with the European Investment Bank and other development agencies and financial institutions of the EU Member States as well as with multilateral development banks such as the World Bank and the African Development Bank. In addition, Enabel intends to further its positioning vis-à-vis the private sector, Belgian public bodies and other countries.

### Enabel already implementing the CRM Act

In the Democratic Republic of Congo, Enabel is supporting the Ministry of Finance in drawing up and implementing its 2025-2027 roadmap for the macro-budgetary and financial management of mining and oil resources. As part of its thematic portfolio on social protection and decent work, Enabel actively promotes decent work in the mining sector and has successfully trained artisanal miners on their labour rights and safety, supported the labour inspectorate, organised awareness campaigns and strengthened trade unions in partnership with Belgian and local organisations (Coordination Platform on Decent Work).

### Enabel's regulatory framework for the responsible development of mining projects

Strengthening the ESG regulatory framework in the private sector has been a strategic priority for Enabel since the entry into force of the Belgian Development Cooperation Law 19 March 2013. This law places Belgian action within an approach based on the promotion of governance and inclusive growth, around three pillars:

- respect for human rights and the rule of law;
- corporate duty of care;
- promotion of decent work according to the four pillars defined by the International Labour Organisation: creation of decent jobs, social protection, respect for rights at work and social dialogue.

This approach is also supported by international and European standards and regulations. These include the OECD guidelines on the governance of multinationals, the mining sector and responsible sourcing, the United Nations Guiding Principles, the Equator Principles, the European Regulation on conflict minerals, the ban on products manufactured using forced labour and derived from deforestation and, more recently, the European directive on the duty of care with regard to corporate sustainability. Enabel's projects also comply with the guidelines set out in the NDICI.

Enabel is also supporting the creation of training centres in Katanga that offer technical training programmes, internships and dual apprenticeship programmes aimed in particular at employability in the mining sector and the stimulation of local content, i.e. the development of the local industrial fabric and local skills.

In Uganda, Enabel supports local authorities in the strategic planning and budgetary management of fiscal resources generated by mining royalties. This approach aims to promote the development of local content, strengthen value chains at both local and national level and create employment opportunities for local populations, in order to ensure an inclusive and sustainable distribution of the economic benefits generated by industrial investment.

In Côte d'Ivoire, Enabel is monitoring the implementation of Belgian funding for the World Bank's Artisanal and small-scale mining in the Sahel associated trust fund programme, aimed at supporting the mechanisation and semi-industrialisation of its artisanal gold mines.

In Tanzania, Enabel is preparing a project fostering responsible investment in the mining sector. The emphasis is on bringing together local mining companies, investors and European offtakers. The project also provides for training, support for local SMEs and recovery of mining by-products.

## Recommendations

Capitalising on its experience and the need to implement a demanding regulatory framework, Enabel's 'mining governance' service offering is based on 12 recommendations for projects designed to support the implementation of the CRM Act. The general aim of Enabel's commitment is to promote the development of sustainable and inclusive mining clusters, which are levers for responsible industrialisation, fostering decent employment, local added value and mutually beneficial partnerships. Enabel is aware of the economic potential that these clusters represent for partner countries, but also of the associated risks. Enabel is committed to supporting governments and their private partners in the monitoring and effective implementation of these investments. This approach aims to strengthen risk management, thereby guaranteeing sustainability and socio-economic impact of projects and their local economic impact.

These recommendations focus on 4 complementary areas to support the mining sector as a driver of economic growth and sustainable development:

### 1. Governance, regulatory framework and transparency

- **Promote greater mobilisation and more efficient management of government revenue emanating from the mining sector**, through a 'Collect More, Spend Better' approach. This means strengthening the capacity of tax authorities to better control transfer prices, combat tax evasion and rationalise exemptions and subsidies. At the same time, support for public finance management, at both central and local levels, aims to improve development planning, budget transparency and spending efficiency, in order to maximise the socio-economic impact of mining sector revenue.
- **Strengthen the legal and institutional framework of the mining sector** by supporting the structuring of public-private partnerships (PPPs) to finance strategic projects, by strengthening public contracting capacities, and by supporting the State in planning, financial and tax negotiations, as well as in the implementation of measures relating to mining concessions, foreign direct investment and the development of local content.
- **Support national capacities in geological prospecting** by providing technical and financial support to governments, in order to improve knowledge of the subsoil, facilitate the identification of strategic mineral resources, and support sustainable and efficient management of the mining sector.

### 2. Structuring the economic fabric and supporting the private sector

- **Support the industrialisation of partner countries by supporting mining exploitation and processing projects** as well as by strengthening local entrepreneurial ecosystems to promote local content, helping communities to structure their technical and organisational capacities in order to seize the economic opportunities offered by mining value chains, particularly in the supply of goods and services linked to industrialisation.

- **Assessment of mining companies involved in private sector engagement projects.** Exercise due diligence, as an initial filter, to identify the main shareholders and indicate what could be considered a genuinely additional finance project and main risks and 'holistic' negative externalities (geostrategic and reputational) surrounding a mining cluster before deciding on the form of project in the mining project.
- **Support for the responsible industrialisation of artisanal and small-scale mining operations,** through certification, regularisation, mechanisation and structuring of the sector, in order to facilitate their integration into the formal economy. This transition aims to improve productivity, increase miners' incomes, improve working conditions, promote health and safety at work, and ensure respect for human rights.

### 3. Sustainable development and social responsibility

- **Support for the rehabilitation of mining sites** in order to restore ecosystems, reduce environmental impact and set up social and economic reintegration programmes for local communities.
- **Strengthen the circular mining economy, including battery recycling.** Supporting the emergence of the recycling sector in order to stimulate R&D cooperation throughout the materials value chain and to support pilot projects or innovative initiatives for the collection, storage, recovery, recycling and/or regeneration of batteries.

- **Support the social protection of mining workers** by promoting social dialogue, awareness-raising and the implementation of labour rights among tripartite players (workers, employers, government), including occupational health and safety, the fight against discrimination, gender-based violence and child labour, and the strengthening of social protection. The aim is also to support the strengthening of mechanisms for monitoring and enforcing environmental protection standards.
- **Organise training to increase the skills of the workforce.** Developing technical skills and scientific research in the mining and in associated sectors, with the aim of developing a skilled workforce that meets the needs of the sector, both in terms of operations and R&D.

### 4. Infrastructure and security

- **Support transport and energy infrastructure as part of strategic corridors.** Rehabilitating and improving roads, railways and ports, creating regional corridors, and setting up PPPs to finance new infrastructure, including the rehabilitation and extension of energy production and distribution networks.
- **Strengthen the capacity of the security and law enforcement forces** to protect communities and public and private infrastructure from endogenous and exogenous threats.

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