

FEDESMERALDAS

CHILD LABOR REPORT
EMERALD MINES

BACKGROUND

FEDESMERALDAS (National Federation of Colombian Emeralds) is a federation, legally constituted in the year 1995, of union character, integrated by the Colombian Association of Emerald Exporters “ACODES” which groups 25 of the most representative companies of the subsector; the Colombian Association of Emerald Commerce “ASOCOESMERAL” with more than 300 affiliates; and the Colombian Emerald Production Association “APRECOL” which is a group of companies, concessions with the Colombian Government for the subsoil use. These associations intervene in the different activities of the emerald industry.

FEDESMERALDAS main objective is the representation and defense of the Colombian emerald industry along with its development within the principles of ethics and unity. It is governed by legal norms and general private law rules applicable to its status of legal entity along with the statutes. It also manages the parafiscal fund of emeralds created by the law 488 of 1998.

1. SECTOR ANALYSIS

The year 2009, just how it was expected concluding 2008, was a very slow year in terms of exports and commerce due to the fact that 95% of the emerald production is exported, and also because of the structural changes in different matters like the mine code and foreign investment. These last two issues have generated much expectation and speculation within the sector affecting the overall operation.

We will start our report with a brief description of the sector’s development in figures.

YEAR	NET CARATS	NET CARATS VALUE (US\$)	CLAMPED CARATS	CLAMPED CARATS VALUE (US\$)	CARVED CARATS	CARVED CARATS VALUE(US\$)	TOTAL EXPORTS (US\$)
2004	9.021.478	1.449.291	48.075	996.083	755.592	74.842.629	77.288.004
2005	6.182.374	1.978.189	51.689	1.461.105	512.109	70.839.408	74.278.702
2006	3.768.328	1.919.409	1.199.585	1.298.472	632.902	88.973.401	92.191.282
2007	2.834.330	1.426.002	30.860	1.120.406	525.763	128.072.505	130.618.913
2008	1.500.486	1.419.876	40.149	422.334	580.927	162.826.301	164.668.511
2009	2.457.215	820.863	13.056	186.028	483.944	86.834.501	87.841.392

*INGEOMINAS FIGURES.

It is important to point out in this chart the 47% fall of 2009 in the total emerald exports; strong recoil given the constant growth of the sector in the past 5 years. This is an immediate response to the world economic crisis as it is shown in the graph.

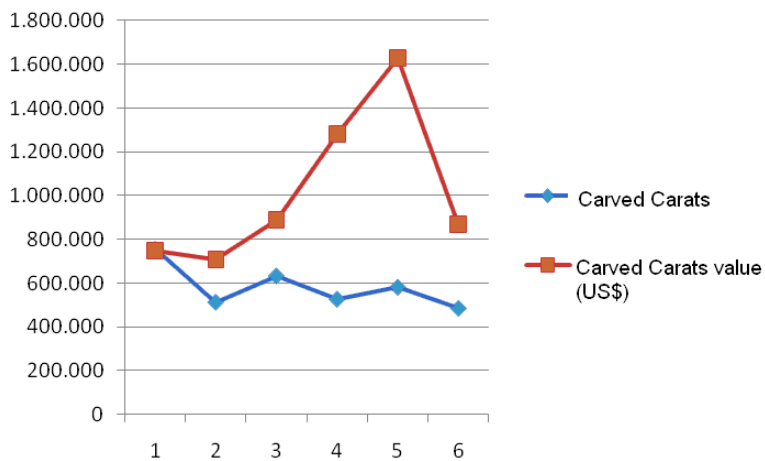


TOTAL EXPORTS.

As it is shown in the graph, the 2009 exports fell strongly as a result of the world economic crisis.

UNBUNDLED EXPORT PERFORMANCE

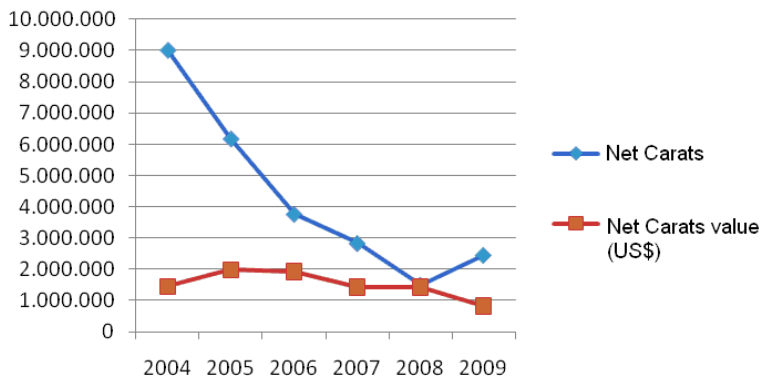
CARVED EMERALDS EXPORTS



CARVED EMERALD EXPORTS

This chart compares export price behavior to the volume in carats exported, the fringe of the average value draws attention.

EMERALD EXPORTS



RAW EMERALD EXPORTS

In this graph you can see the fall in the raw emerald export prices, this doesn't mean necessarily that the most valued are exported in this condition given the value of the average price.

NEW MINE CODE

In the exploitation stage, the contracts with contribution virtue (12), represent 4% of all contracts. The exploration stage represents 40% of contracts and the assembly stage the 56%.

* 27 Registered: 13 Active. 443,9571 contracted hectares "in force"

Etapa	Contribution*	Grant	C.U.C.
EXPLORATION	1	28	100
MOUNT	0	16	163
EXPLOITATION	12	0	0
Total	13	44	263

2. THE EMPLOYED WORK FORCE

Formal emerald mining, composed as shown in the graph above, is regulated by the Colombian laws and the corresponding mining authority. Additionally its workforce is sheltered by the current Labor Code.

Emerald mining in the country is done through tunnels in the occident of the department of Boyacá; these tunnels have one hundred twenty meters of depth and different extension all through them in order to reach the resource. It is important to highlight that the best emeralds are found at depths and a great amount of technical, human, and financial resources is needed to supply the market with these high quality emeralds.

Formal emerald mining businesses are restricted to state regulations for workforce hiring in accordance to the mine and labor codes.

3. CHILD LABOR RISK

As previously mentioned in this report, formal emerald production in the country is in a 95% the result of the work of businesses legally constituted who have a contract with the government for the administration and exploitation of the subsoil. Also there is informal exploitation in the region, product of the mining tradition of the populations that constantly inspect the mining river and surround the formal emerald mines. This informal activity in the area called "Guaqueo" becomes the first factor of risk in the region and it develops, as mentioned in the report, in public places like the streams. Local authorities do not have enough resources to serve the entire population dedicated to guaqueo, but constantly create programs to mitigate the risk of child labor.

4. ACCIONS IMPLEMENTED TO MITIGATE THE THREAT OF CHILD LABOR

At present Fedesmeraldas along with the national and departmental government have developed child labor prevention and eradication programs as well as private foundations such as the Telephone Foundation.

- The most important pilot program for the Federation is the NAJ-431NAJ357 Convention, signed by the Multilateral International Organism (OIM), The Colombian Institute of Family Welfare (ICBF) and FEDESMERALDAS. This program consists of psychosocial accompaniment to 300 families in Muzo, Boyacá and San Pablo de Borbur in order to prevent and eradicate child labor and improve the living conditions of this population.
- Complimenting this program, along with the municipality, the Concha Medina de Silva School is being expanded with the aim of schooling children living near the mines. This school currently serves 400 children living near Muzo mines.
- Likewise, in 2008, didactic material and labs were delivered to the Agroindustrial School of Zuila where 300 children received a better education.
- The Colombian Institute of Family Welfare (ICBF), the OIM, and the Muzo municipality are currently building a Nursery-school in the head municipality.

Oscar Baquero

Executive President FEDESMERALDAS.