

The

JUST GOLD PROJECT.



Lessons for the Future
of Artisanal Gold in
Democratic Republic of Congo



**The Just Gold Project:
Lessons for the Future of Artisanal Gold in Democratic Republic of Congo**

Authors: Oscar Katho, Joanne Lebert, Jean Paul Lonema, Patience Singo,
and Gerard van der Burg

Contributors: Gisèle Eva Côté, Felicien Mbikayi, and Victoria Reichel
Managing Editor: Zuzia Danielski
Copy Editor: Pam Kapoor

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ACRONYMS



3T	tin, tantalum, and tungsten
AFECOR	Artisanal Mining Women’s Empowerment Credit & Savings project
AFM	mine site administrator (<i>Administrateur de Foyer Minier</i>)
ASM	artisanal and small-scale mining
CAMI	Mining cadastre (<i>Cadastre Minier</i>)
CEEC	Centre of Expertise, Evaluation, and Certification (<i>Centre d’Études et d’Expertise en Certification</i>)
CODEMA	<i>Coopérative pour le développement des exploitants miniers artisanaux</i>
CVAP	<i>Club des Volontaires pour l’Appui aux Peuples Autochtones</i>
DRC	Democratic Republic of Congo
ICGLR	International Conference on the Great Lakes Region
ID	identification
ITOA	<i>Initiative de traçabilité de l’or d’exploitation artisanale</i>
LBMA	London Bullion Market Association
LSM	large-scale mining
MAM	Model Trading House (<i>Maison d’achat modèle</i>)
Mini-MAM	mine site trading outpost (<i>Mini-Maison d’achat modèle</i>)
MnM	<i>Muongano na Maendeleo</i>
OECD	Organisation for Economic Co-operation and Development
OECD	
Due Diligence Guidance	OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
OHADA	Organization for the Harmonization of Business Law in Africa
REAFECOM	Network for the Empowerment of Women in Mining Communities (<i>Réseau pour l’autonomisation des femmes des communautés minières</i>)
SDG	Sustainable Development Goals
SOCODEVI	<i>Société de coopération pour le développement international</i>
UAE	United Arab Emirates
UN	United Nations
UN Group of Experts	UN Group of Experts on DRC
VSLA	Village Savings and Loans Associations
ZEA	Artisanal Mining Zone (<i>Zone d’Exploitation Artisanale</i>)

KEY TERMS



Alluvial gold: Type of gold dust found in soil sediments and in the sand, silt, gravel, clay, or other deposited matter left behind by flowing water. When beds of rivers and streams are panned for gold dust, the product is referred to as alluvial gold. In mine sites where the Just Gold project is active in Democratic Republic of Congo (DRC), all alluvial gold is mined without the use mercury.

Amalgam gold: Gold powder that has been aggregated together through mixing with mercury.

Artisanal mining zone: Known in DRC as a *Zone d'exploitation artisanal* or ZEA, areas designated by the government where artisanal miners are permitted to work.

Chain of custody: Chronological documentation recording the sequence of custody, control, and transfer of a material from the point of origin to the end consumer.

Closed pipe: A supply chain management system with a defined and limited set of suppliers, including artisanal miners and mineral buyers.

Conflict-free: Minerals extracted that do not directly or indirectly benefit armed groups.¹

Downstream actors: Those in the latter part of the supply chain, beyond the producing country, such as jewellers and consumers.

Due diligence: Review and analysis of the supply chain for risks.²

Exporter: Licensed company that assesses gold for purity and weight and undertakes export procedures to transport the gold to an international buyer.

Export certificate: At the point of sale for export, the gold shipment obtains an official International Conference of the Great Lakes Region (ICGLR) export certificate for conflict-free gold and certificate of origin. In DRC, this is issued by the *Centre d'Études et d'Expertise en Certification* (CEEC).

Formalization: Process of decriminalizing, organizing, and/or regulating operations by artisanal and small-scale miners. This can include adherence to legal and regulatory frameworks and increasing legal access to minerals. Miners can seek and be provided information about geological data, organize into flexible and dynamic organizations, and access capital, equipment, and technical assistance.

¹ As per definition in Section 1502 of the Dodd-Frank Act, accessed November 17, 2020, <https://www.govinfo.gov/content/pkg/COMPS-9515/pdf/COMPS-9515.pdf>.

² The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas provides the private sector with a five-step framework to due diligence on supply chains from conflict-affected and high-risk areas, including identifying, mitigating, and publicly reporting on risks, accessed November 17, 2020, <https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>.

Key Terms (cont'd)

Mine pits: Mining excavations from where gold originates in the ground; considered the source of the gold within the Just Gold Traceability and Due Diligence System.

Miners: Individuals undertaking mining activities like digging, crushing, and processing, as well as those who provide support (often women) like transportation and water gathering. Miners are issued a valid miner ID card, known in DRC as a *carte de creuseur*, upon registering with the provincial government. Those who participate in the Just Gold project are also card-holding members of the cooperative.

Mine site: Areas of land where miners participating in the Just Gold project operate in an organized arrangement under a mine site administrator. In the Just Gold project, mine sites have to be validated conflict-free and designated as an authorized artisanal mining zone (ZEA) by the government.

Mine site administrator: Customary claim holder who determines who can enter their claim area, what activities they can pursue, and what fees or tributes they will have to pay for the privilege to do so. While this is a traditional role popular across DRC, based on IMPACT's observations to date, the term *Administrateur de Foyer Minier* (AFM) is used only in Ituri Province.

Mine Site Trading Outpost: Gold buying location for the Just Gold Project at each mine site where a licensed trader hired by the cooperative is based. In the Just Gold project, it is known as *Mini-Maison d'achat modèle* (Mini-MAM).

Model Trading House: Trading house run by the cooperative associated with the Just Gold project where gold is accumulated, stored, and pre-processed for smelting and subsequent exporting. In the Just Gold project, it is known as *Maison d'achat modèle* (MAM).

Rock gold: Gold extracted from hard rock such as quartz and calcite.

Rock ore: Hard rock such as quartz and calcite with gold veins that is dug, crushed, ground to a fine powder, and treated to separate the gold, typically using mercury.

Traceability: Ability to verifiably track a material and its transactions from its point of origin (mine pit) through the supply chain.

Traders: Persons to whom miners sell their gold and are legally required to be licensed according to DRC law. In the Just Gold project, licensed women and men gold traders hired by the cooperative buy gold from miners participating in the project at the mine site. They are trained on traceability of gold at the mine site and observe daily mine site activity and maintain all records and statistics. In the Just Gold project, they are known as *Mini-Maison d'achat modèle* (mini-MAM) agents.

Upstream actors: Those in the early part of the supply chain, including miners, traders, exporters, and refiners.

INTRODUCTION



As the first traceability and due diligence system for artisanal gold in Democratic Republic of Congo (DRC), the Just Gold project has demonstrated great potential. Yet barriers persist that prevent support to the most marginalized of artisanal gold mining communities in the country.

It is IMPACT’s hope that critical evaluation of the strengths and weaknesses of the Just Gold project will help ensure people in conflict-affected and high-risk areas are not left behind by the tide of global attention on the artisanal and small-scale mining (ASM) sector.

An important step forward in supporting legal trade in conflict and high-risk areas, responsible sourcing from artisanal mining communities also has unintended consequences. It can directly favour those in more advantageous positions in the supply chain while the least powerful—like women and men miners themselves—see no benefit. As a result, communities on the whole may not experience security, development, and equality. Furthermore, “cleaning” a supply chain, particularly if severely limiting the number of actors (for example, in a closed pipe approach), may simply serve to displace problems to other locations or to another commodity.



WOMEN AND MEN MINERS, THE LEAST POWERFUL IN THE SUPPLY CHAIN, MAY SEE NO BENEFIT FROM RESPONSIBLE SOURCING

Companies could be ensuring supply chains are conflict-free, benefiting local communities, and contributing to equitable peace and development. However, responsible sourcing has failed to move beyond an avoidance-type or de-risking approach to supply chain management, wherein companies simply avoid sourcing from certain regions.



COMPANIES NOW SIMPLY AVOID SOURCING FROM DRC

Since IMPACT first began developing a traceability and due diligence system for gold in DRC in 2012, we have adapted our approach many times. The project picked up a name along the way in 2015,³ and the Just Gold project announced the first successful chain of custody from mine site to export in June 2017.⁴ A month later, the first conflict-free, traceable, and legal artisanal gold from DRC hit the market in Canada.⁵

³ While the project only gained the name "Just Gold" in 2015, it will be referred to as the Just Gold project throughout for clarity.

⁴ “First Responsible and Conflict-Free Artisanal Gold Supply Chain Operational in Eastern Congo,” *IMPACT*, May 17, 2017, <https://impacttransform.org/en/first-responsible-and-conflict-free-artisanal-gold-supply-chain-operational-in-eastern-congo/>.

⁵ “Jeweller Completes First Export of Responsible & Conflict-Free Artisanal Gold from Eastern Congo to Canada,” *IMPACT*, June 26, 2017, <https://impacttransform.org/en/jeweller-completes-first-export-of-responsible-conflict-free-artisanal-gold-from-eastern-congo-to-canada/>.

When the Just Gold project was first proposed in December 2012, IMPACT sought to test if and how artisanal gold could be traced from mine site in DRC to export. In the first phase, operating in Mangi in Banalia Territory, IMPACT achieved supply chain traceability up to the trader level. In the second phase, in Mambasa Territory, we successfully introduced traceability from mine site to exporter, then beyond to the international market.

When it is applied alongside the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Due Diligence Guidance), we believe that a robust and verifiable chain of custody applying the International Conference on the Great Lakes Region's (ICGLR) Regional Certification Mechanism can provide sufficient evidence of gold that is responsible and untainted by human rights violations or corruption.⁶

Eight years in, IMPACT believes that transparency about lessons learned will help answer the question of whether there is a viable future for conflict-free, traceable, and legal artisanal gold from DRC and what it may look like.

⁶ See the OECD Due Diligence Guidance <https://www.oecd.org/corporate/mne/mining.htm> and the ICGLR's Regional Certification Mechanism <http://www.icglr-rinr.org/index.php/en/certification>.

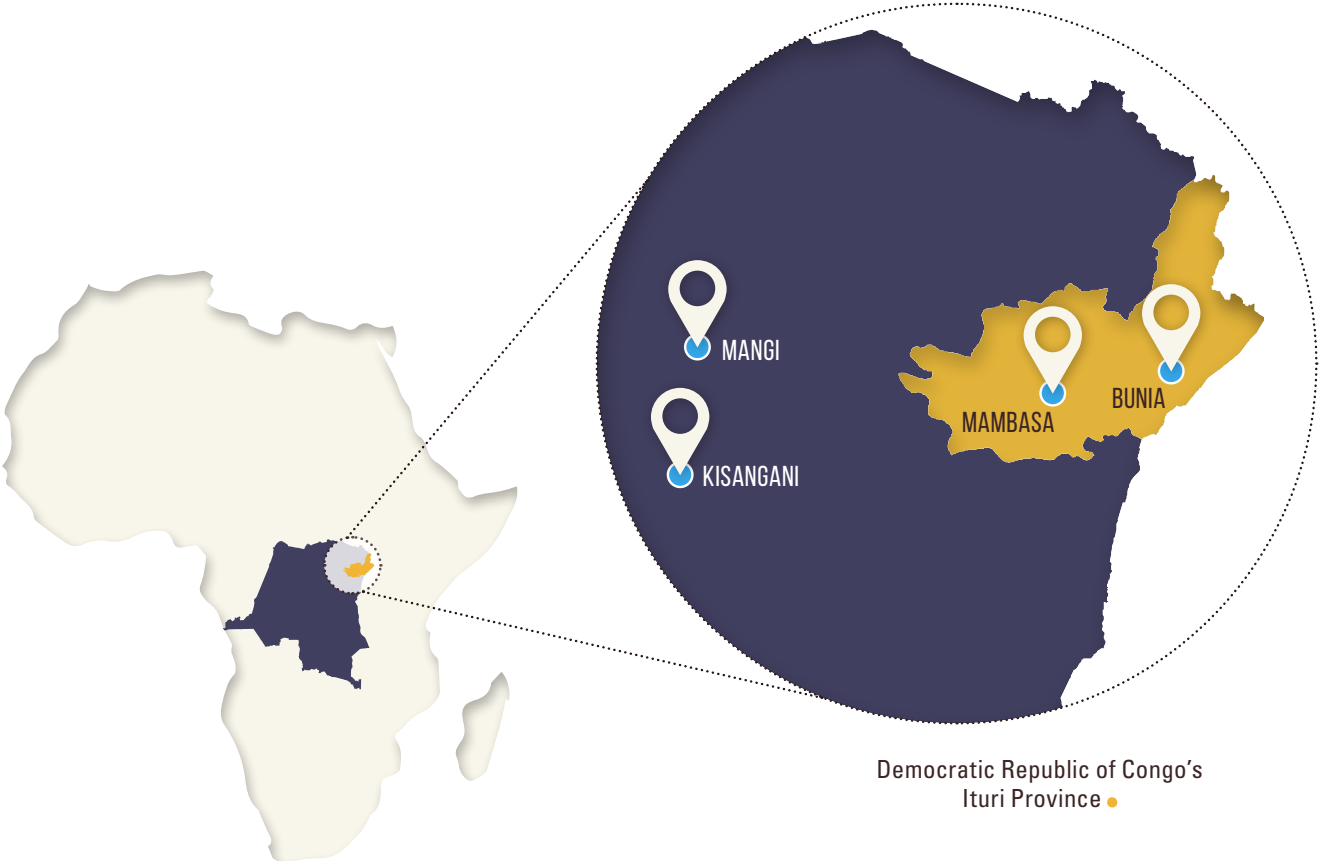
METHODOLOGY

This report is based on IMPACT’s experiences implementing the Just Gold project in DRC from 2012 to 2020.

It provides analysis from IMPACT staff based on on-site observations and first-hand experience during the implementation of the project in Orientale Province from 2012-2014 and Ituri Province from 2015-2020, as well as efforts to engage with the international market. The report relies on data from the Just Gold Traceability and Due Diligence System, as well as on impact monitoring done through IMPACT’s Planning, Monitoring, and Learning System.

Analysis is supplemented by previous research and available data on the gold trade in DRC and the Great Lakes region.

The report is divided into four sections. The first explains the Just Gold project and how it operated from 2012 to 2020, including incentives tested. The second explores dynamics that affected the supply chain during that period. The third highlights learnings relevant to the economic sustainability and commercial viability of artisanal gold supply chains. The fourth explores how the Just Gold project used data to advance evidence-based local empowerment and gender equality during that period.



KEY MILESTONES

2012

- Pilot project kicks off to test an incentive-based model for artisanal DRC gold traceability

2013

- Project begins operating in DRC's Orientale Province in artisanal gold mine sites in and around the village of Mangi, in Banalia Territory, 260 km north of Kisangani
- Focus on incentives for artisanal miners to increase yields in return for legal sales
- IMPACT successfully negotiates with provincial authorities to reduce the cost of a miner ID card (*carte de cresueur*) from \$25 USD to \$15 USD per year
- Miners are supported to obtain their mining ID card by registering with local/provincial mining authorities

2014

- Provision of technical support and small equipment results in a 30% increase in gold yields, which proves to be an important incentive for miners to engage in legal trade
- Miners duly sell some 92% of what they produce to local traders affiliated with the project who legally sell their gold at authorized trading posts in Kisangani
- First phase of the pilot project ends

2015

- Second phase of the pilot project, named Just Gold, kicks off with a focus on full upstream supply chain and downstream engagement
- New mine sites are targeted in Mambasa, Ituri Province
- Provision of technical support and small equipment incentivize loyalty to the project

- IMPACT completes due diligence on *Muongano na Maendeleo* (MnM), the exporter in Bunia, in July⁷
- Model Trading House (MAM) opens in October in the village closest to four project mine sites
- The trader associated with Just Gold based at the MAM begins purchasing gold from participating miners and selling onwards to MnM

2016

- The first ASM gold mine sites in Ituri Province, including those participating in the Just Gold project, are validated as conflict-free by the Ministry of Mines in February⁸
- A Gender Impact Assessment on Formalization and Technical Assistance and an Environmental Impact Assessment are carried out in March which inform strategic workplans and activities for providing technical support

⁷ "First Congolese Gold Exporter Takes Decisive Action to Carry out Due Diligence: Opens its Doors to International Markets," IMPACT, February 15, 2016, <https://impacttransform.org/en/first-congolese-gold-exporter-takes-decisive-action-to-carry-out-due-diligence-opens-its-doors-to-international-markets/>.

⁸ Democratic Republic of Congo's Minister of Mines Martin Kabwelulu, Ministerial Decree No. 0005/CAB.MIN/MINES/01/2016, *Portant qualification et validation des sites miniers du territoire de Mambasa dans la province de l'Ituri*, February 2, 2016, Kinshasa.

2017

- Digital scales and price transparency are introduced by July as incentives to enhance miner confidence and loyalty to legal sales
- CODEMA, the cooperative in Mambasa, is legally recognized by the DRC national government in August⁹
- In September, the project expands from four mine sites to six
- Trading outposts (mini-MAMs) are introduced to capture greater share of legal gold sales directly at all six mine sites in November
- An LBMA-listed refiner commissions a third-party assessment on the supply chain and while the overall assessment is positive, it decides not to purchase from the exporter in Bunia if MnM continues to purchase gold from mine sites not associated with the project, even if the project gold is segregated at all times
- The complementary AFECCOR project launches to support community savings and loans, to decrease dependence on predatory lenders, and to tackle the outward leakage of the gold to buyers outside of the project¹⁰
- Data fields and templates within the Just Gold Traceability and Diligence System are adapted to align with the DRC government's *Initiative de traçabilité de l'or d'exploitation artisanale (ITOA)* system
- Completed mine to market chain of custody is announced at events in Kinshasa, Bunia, and Mambasa in May¹¹
- First sale to a jeweller in Canada marks the first time any consumer good has been made from conflict-free artisanal DRC gold and is fully traced from mine site to consumer¹²
- Six mine sites are designated as artisanal mining zones (ZEA) in August¹³
- Miners receive Personal Protective Equipment, water pumps, and drilling equipment in September to increase productivity
- As a result of the first export, IMPACT identifies and documents all taxes and fees for Ituri Province's gold supply chain, information which is further validated through subsequent exports

⁹ Democratic Republic of Congo's Minister of Mines Martin Kabwelulu, Ministerial Decree No. 0324/CAB.MIN/MINES/01/2016, *Portant agreement de la cooperative de developpement des exploitants miniers artisanaux de Mambasa "CODEMA" au titre de cooperative miniere*, August 5, 2016 Kinshasa.

¹⁰ "International Women's Day: Partnership Africa Canada Announces Women-Led Microcredit Project," *IMPACT*, March 8, 2017, <https://impacttransform.org/en/international-womens-day-partnership-africa-canada-announces-women-led-microcredit-project/>.

¹¹ "First Responsible and Conflict-Free Artisanal Gold Supply Chain Operational in Eastern Congo," *IMPACT*.

¹² "Jeweller Completes First Export of Responsible & Conflict-Free Artisanal Gold from Eastern Congo to Canada," *IMPACT*.

¹³ Democratic Republic of Congo's Minister of Mines Martin Kabwelulu, Ministerial Decree No. 0282/CAB.MIN/MINES/01/2017, *Portant institution d'une zone d'exploitation artisanale dans la province de l'Ituri* August 28, 2017, Kinshasa; Democratic Republic of Congo's Minister of Mines Martin Kabwelulu, Ministerial Decree No. 0225/CAB.MIN/MINES/01/2017, *Portant institution d'une zone d'exploitation artisanale dans la province de l'Ituri* August 22, 2017, Kinshasa; Democratic Republic of Congo's Minister of Mines Martin Kabwelulu, Ministerial Decree No. 0224/CAB.MIN/MINES/01/2017, *Portant institution d'une zone d'exploitation artisanale dans la province de l'Ituri* August 22, 2017, Kinshasa; Democratic Republic of Congo's Minister of Mines Martin Kabwelulu, Ministerial Decree No. 0223/CAB.MIN/MINES/01/2017, *Portant institution d'une zone d'exploitation artisanale dans la province de l'Ituri* August 22, 2017, Kinshasa; Democratic Republic of Congo's Minister of Mines Martin Kabwelulu, Ministerial Decree No. 0226/CAB.MIN/MINES/01/2017, *Portant institution d'une zone d'exploitation artisanale dans la province de l'Ituri* August 22, 2017, Kinshasa; Democratic Republic of Congo's Minister of Mines Martin Kabwelulu, Ministerial Decree No. 0227/CAB.MIN/MINES/01/2017, *Portant institution d'une zone d'exploitation artisanale dans la province de l'Ituri* August 22, 2017, Kinshasa.

2018

- Fair Congo, a new exporter, begins purchasing gold from CODEMA in January
- Gold from the Just Gold project reaches the US market when Hoover & Strong, a US-based refiner, begins purchases
- Miners develop a strategy for mine site rehabilitation and begin planting tree nurseries in February
- IMPACT supports the creation of the Provincial Monitoring Committee for Mining Activities (*Comité Provincial de suivi des activités minières*) in Ituri Province, providing a provincial level forum for stakeholders to address obstacles to the sustainability of responsible production and trade, including those impeding the Just Gold project¹⁴
- The first association of women artisanal gold miners in Ituri Province, the Network for the Empowerment of Women in Mining Communities

(REAFECOM), launches in April,¹⁵ growing to over 350 members

- A new rock ore processing plant is implemented in September at one mine site that increases efficiency and makes way for mercury-free processing
- Production increases are supported by the purchase of a pneumatic compressor and the use of excavators for overburden removal in September
- Training in mercury reduction and elimination is extended across all mine sites with rock ore; tailing ponds are installed in October

2019

- In January, IMPACT begins providing impact data to downstream buyers while improving user-friendly visualization and analysis of the traceability, due diligence, and socio-economic data in collaboration with local

civil society group, *Club des Volontaires pour l'Appui aux Peuples Autochtones* (CVAP)

- The cooperative CODEMA begins independent operations and begins to make a profit by February
- IMPACT supports the creation of the Territorial Monitoring Committee for Mining Activities in Mambasa (*Comité Territorial de Suivi des activités minières en Territoire de Mambasa*) which provides a local forum for stakeholders to address obstacles to responsible production and trade that feed into provincial committee discussions¹⁶
- Complementary Women of Peace project kicks off to support women artisanal miners to act as mediators in local conflicts¹⁷
- By July, 24 kg of traceable, legal, and conflict-free gold has reached the international market and been made into responsible jewellery over four years, mainly between 2017-2019

¹⁴ Democratic Republic of Congo's Province of Ituri, Governor Jefferson Abdallah Pene Mbaka, Provincial Decree No. 01/JAPM /006/CAB/PROGOU/PI/2018, *Portant creation comite provincial de suivi des activites minières en province de l'Ituri, CPS en sigle*, February, 22, 2018, Bunia.

¹⁵ "Women in Democratic Republic of Congo Create Network to Empower Women in Mining Communities," IMPACT, May 1, 2018, <https://impacttransform.org/en/women-in-democratic-republic-of-congo-create-network-to-empower-women-in-mining-communities/>.

¹⁶ Democratic Republic of Congo's Province of Ituri, Cabinet Minister Ombalia Alombo, Provincial Ministerial Decree No. 007/DOA /006/CAB/ MIN PROV-MEH/PI/006/2019, *Portant creation comite territorial et local de suivi des activites minières en territoires d'Irumu et de Mambasa, CTS en sigle, et du comite local dans les chefferies des Andisoma et des Waldendu/Bindi, CLS en sigle (territoire d'Irumu) en province d'Ituri*, March 5, 2019, Bunia.

¹⁷ "New Project Kicks-Off to Support Women Peacebuilders in Congo's Artisanal Mining Communities," IMPACT, March 8, 2019, <https://impacttransform.org/en/new-project-women-peacebuilders-congos-artisanal-mining/>.

- IMPACT closes its Mambasa office by August due to Ebola and continues supporting the cooperative, miners, and community remotely¹⁸
- Movement restrictions introduced by authorities due to Ebola limit the ability of the cooperative to travel between Mambasa and its bank in Bunia
- Purchases by Hoover & Strong stop as a result of an internal decision to shift the company's business priorities for reasons unrelated to the project
- In October, the US Customs Border and Protection Agency issues a Withhold Release Order on all artisanal gold from eastern DRC due to allegations of forced labour and introduces seizures and enhanced evidence analysis at the US border¹⁹
- In the absence of international market engagement, the CODEMA cooperative begins selling to a legal trader outside of the project, but still using the Just Gold pricing model
- A Memorandum of Understanding between CODEMA and REAFECOM confirms exclusive management of equipment by the cooperative's women members

2020

- In January, a workshop in Kinshasa for DRC policymakers summarizes the project's achievements, lessons learned, and next steps
- A draft technical briefing note on DRC's Export Taxes and Fees, based on the Just Gold experience and in collaboration with the state services, is presented to the DRC Ministry of Mines in January²⁰
- Movement restrictions are reintroduced in March due to COVID-19
- IMPACT's report, *The Intermediaries: Traders Who Threaten the Democratic Republic of Congo's Efforts for Conflict-Free Gold*, published in September 2020, concludes traceability and due diligence schemes will not succeed if action isn't taken to address smuggling²¹
- IMPACT begins exploring how data can be quantified, monetized, and reinvested to make responsible artisanal production and trade more commercially viable
- The Just Gold project begins to examine how data can be a tool for empowerment of local communities, providing them and authorities with information to make more informed decisions generating improved development and security outcomes
- Second phase of the Just Gold project ends in September
- Considering achievements and outstanding challenges to responsible ASM gold production and trade in DRC, IMPACT defines a new phase of the Just Gold project:
 - ...» making the export process more efficient
 - ...» improving the fiscal environment so it does not act as a disincentive to legal trade
 - ...» ending impunity enjoyed by known illicit traders whose entrenched and highly adaptive networks extend into neighbouring countries, to the United Arab Emirates (UAE), and beyond
 - ...» recognizing the value of supply chain and impact data, equitable data exchange, and data empowerment
 - ...» adapting support for ASM actors and communities that are removed from the realization of formalization and cannot access the international market on their own

¹⁸ "Statement: IMPACT's Office Closure Due to Ebola Outbreak in Mambasa Territory, Ituri Province," *IMPACT*, July 31, 2019, <https://impacttransform.org/en/statement-impact-office-closure-ebola-mambasa-ituri/>.

¹⁹ "US Customs Checks on Artisanal Gold Stigmatize Democratic Republic of Congo," *IMPACT*, October 2, 2019, <https://impacttransform.org/en/us-customs-artisanal-gold-stigmatize-congo/>.

²⁰ IMPACT, *Fiche technique de procédure de transfert et d'exportation d'or artisanale en RDC*, January 2020 (draft briefing note).

²¹ IMPACT, *The Intermediaries: Traders Who Threaten the Democratic Republic of Congo's Efforts for Conflict-Free Gold*, September 2020, https://impacttransform.org/wp-content/uploads/2020/09/The-Intermediaries_Sept-2020_EN-web.pdf.

SECTION 1:

A young Black man with a friendly smile is sitting at a wooden desk. He is wearing a black and white Adidas soccer jersey with a crest on the chest. He is holding a blue pen over a stack of papers. A calculator is visible on the desk in front of him. The background is a dark, textured wall.

**WHAT IS THE JUST
GOLD PROJECT?**

The original objective of the Just Gold project was to test whether traceability and due diligence for artisanal gold is even possible within DRC.

Over the eight years since 2012—and as a working traceability and due diligence system was developed—the project objective shifted to exploring how responsible artisanal gold could support meaningful, transformative change for DRC’s ASM gold sector. In keeping with IMPACT’s mission, we wanted to ensure that legal trade of artisanal gold could spur development for women, men, and children in local communities.



The Just Gold project brings legal, traceable, and conflict-free artisanal gold from communities where security and human rights are at risk to international markets.²² First launched in DRC, the project began operations in Côte d’Ivoire in 2019.²³

IMPACT works with miners, traders, and exporters to create incentives for legal sales and provides capacity building to implement the traceability and due diligence required by the Just Gold project, in alignment with regional and international standards.

Through the Just Gold project, consumers have been able to buy the first traceable, legal, and conflict-free artisanal gold from DRC. Over 24 kg of gold made its way from participating women and men miners and cooperative members onto the international market over four years, and mainly between 2017-2019. During this time, 2,171 miners participated in the project across six mine sites: 325 women and 1,846 men.²⁴



2,171 MINERS PARTICIPATING IN THE JUST GOLD PROJECT SOLD 24 KG OF TRACEABLE, LEGAL, AND CONFLICT-FREE GOLD ONTO THE INTERNATIONAL MARKET

²² For more information about how the project operates on the ground in DRC, including a step-by-step guide of the Just Gold supply chain, see: IMPACT, *Just Gold: Bringing Responsible and Conflict-Free Gold from Artisanal Mines to International Markets*, April 2018, https://impacttransform.org/wp-content/uploads/2018/04/IMPACT_Just-Gold_April-2018-EN-web.pdf.

²³ “First Responsible, Traceable, and Commercially-Viable Artisanal Gold Supply Chain Operational in Côte d’Ivoire,” IMPACT, September 2020, <https://impacttransform.org/en/traceable-artisanal-gold-cote-divoire/>.

²⁴ Aggregated from the Just Gold Traceability and Due Diligence System. During the first phase from 2012-2014, 250 miners directly participated in the project with 500 grams tracked from miners to a legal trader.

The Just Gold project gives customers and international market actors peace of mind that their gold has been produced legally and is free of human rights violations. They have the knowledge that by sourcing gold responsibly and directly from artisanal mining communities in DRC, they are helping to advance women's empowerment and environmental protection.²⁵



WHAT MAKES THE JUST GOLD PROJECT UNIQUE?

WE PRIORITIZE SUSTAINABLE DEVELOPMENT, EQUALITY, AND PEACE.

We anchor our approach in local ownership and capacity building.

We focus on conflict-affected communities often stigmatized by the international market.

We don't leave anyone behind and work with ASM communities that cannot access the international market on their own.

We accompany miners to enter the formal economy, building their technical and professional capacity as miners and supporting them through formalization.

We collect data to analyze the impact of the project and of sourcing on women and men miners and their community, to measure development and security outcomes.

We prioritize gender equality and environmental stewardship in programming and research, such as gendered approaches to mercury-free processing.

We use technology and technical interventions to support development and security outcomes, but they don't lead or drive our work, and we don't believe they are the solution.



WHY GOLD?

Along with the original objective to test whether traceability and due diligence for gold is even possible within the scope of DRC, the Just Gold project set out to test the conditions for competing against the illicit and informal market among three contextual factors:

1. GOLD SMUGGLING FROM EASTERN DRC HAS BEEN WELL DOCUMENTED BUT NOT ADDRESSED.

Of the four recognized conflict minerals—tin, tungsten, tantalum (3T), and gold—gold was and is still considered the most significant in terms of conflict financing and revenue lost by African governments as a result of contraband exports.²⁶

²⁵ IMPACT, *Gender Equality*, April 2018, https://impacttransform.org/wp-content/uploads/2018/04/IMPACT_Gender_Equality_April-2018-EN_web.pdf; IMPACT, *Environmental Stewardship*, September 2020, https://impacttransform.org/wp-content/uploads/2020/10/IMPACT_Enviro-Stewardship-Brochure_Sept-2020-EN_web.pdf.

²⁶ A recent report found that Africa is losing almost \$89 billion USD per year to illicit financial flows, which is more than the continent receives in development aid. Almost half of that figure is due to the illicit trade of high-value, low-weight commodities such as gold, diamonds, and platinum. Even when legally traded, gold exports are chronically undervalued. See: "Africa could gain \$89 billion annually by curbing illicit financial flows," UNCTAD, September 28, 2020, <https://unctad.org/news/africa-could-gain-89-billion-annually-curbing-illicit-financial-flows>.

Despite this, gold had received the least constructive attention when we started in 2012.

Whereas African 3T minerals, used widely in products sold in the United States, had been strongly affected by the Dodd-Frank Act and Lusaka Declaration,²⁷ gold remained unaddressed at the time. There were no tracking or due diligence systems in place for artisanal gold in Africa's Great Lakes region, no chain of custody technologies being proposed for gold production, and no on-the-ground engagement by large overseas buyers of gold.



IN 2012, WHEN THE JUST GOLD PROJECT LAUNCHED, THERE WERE NO OTHER TRACEABILITY AND DUE DILIGENCE SYSTEMS PROPOSED FOR GOLD IN DRC

The OECD Due Diligence Guidance was launched the same year as the Dodd-Frank Act and the Lusaka Declaration (2010), providing recommendations for private sector actors to help respect human rights in their mineral sourcing.²⁸

Despite regulations and frameworks, it appears that smuggling of DRC gold is thriving. Many buyers of artisanal DRC gold in transit points and trading centers such as in Kampala, Dubai, and India don't seem to question where it comes from, whether it's been traded and exported legally, whether it's funding armed groups or corruption, or contributing to human rights violations.²⁹

2. SURGE IN ATTENTION TO FORMALIZATION AND ASM GOLD PROMISED CHANGE.

Formalization of the ASM gold sector in Africa's Great Lakes region and in DRC in particular has garnered a surge of national and international attention in recent years. In keeping with their commitments to the ICGLR's Lusaka Declaration and in alignment with the Africa Mining Vision whose main goal is to create "broad-based sustainable growth and socio-economic development," including by harnessing the potential of ASM to advance socio-economic development,³⁰ some states in-region have been taking steps to alter or improve practices and to capture production and revenue that would otherwise be lost to illicit trade.

²⁷ Section 1502 of the Dodd-Frank Act, adopted in 2010, requires all companies listed on the United States (US) Stock Exchange to disclose whether the minerals they use are sourced in DRC and neighbouring countries, and if so, ensure armed groups do not profit. The same year, the ICGLR Heads of State signed the Lusaka Declaration agreeing to six tools to address the illegal exploitation of natural resources—including certification of 3T and gold as conflict-free, known as the Regional Certification Mechanism.

²⁸ See the OECD Due Diligence Guidance <https://www.oecd.org/corporate/mne/mining.htm>.

²⁹ IMPACT, *The Intermediaries*; Alan Martin, *A Golden Web: How India Became One of the World's Largest Gold Smuggling Hubs*, IMPACT, November 2019, https://impacttransform.org/wp-content/uploads/2019/11/IMPACT_A-Golden-Web_EN-Nov-2019_web.pdf; Shawn Blore, *Contraband Gold in the Great Lakes Region: In-region Cross-border Gold Flows Versus Out-region Smuggling*, IMPACT, May 2015, Partnership Africa Canada, <https://impacttransform.org/wp-content/uploads/2017/09/2015-May-Contraband-Gold-in-the-Great-Lakes-Region-In-Region-Cross-Border-Gold-Flows-Versus-Out-Region-Smuggling.pdf>; Alan Martin, *All That Glitters is Not Gold: Dubai, Congo, and the Illicit Trader of Conflict Minerals*, IMPACT, May 2014, <https://impacttransform.org/wp-content/uploads/2017/09/2014-May-All-That-Glitters-is-not-Gold-Dubai-Congo-and-the-Illicit-Trade-of-Conflict-Minerals.pdf>.

³⁰ "Lusaka Declaration of the ICGLR Special Summit to Fight Illegal Exploitation of Natural Resources in the GR," ICGLR, 2010, <http://library.icglr-lmrc.org/index.php/publications/10-summit-declarations/33-icglr-2010-lusaka-declaration-of-the-icglr-special-summit-to-fight-illegal-exploitation-of-natural-resources-in-the-gr/>; "Africa Mining Vision Looking Beyond the Vision," *United Nations Economic Commission for Africa*, January 2017, <https://www.uneca.org/publications/africa-mining-vision-looking-beyond-vision>.

However, market pressures that could have made legal ASM gold in DRC more compelling dissipated: as the applicability of OECD Due Diligence Guidance began to extend globally and across all minerals and metals, buyers sought less challenging, less scrutinized contexts. As a result, the commercial viability of solutions being explored in DRC began to weaken.

3. SCHEMES TO SUPPORT FORMALIZATION IN OTHER LOCATIONS DID NOT ACCOUNT FOR THE UNIQUENESS OF DRC AND CONFLICT CONTEXTS.

ASM gold in DRC is expensive and far less lucrative than elsewhere. In isolated communities, gold is used as a financial instrument to bring in desperately needed cash and commodities. This vulnerability is exploited by large cross-border traders for money laundering and is also a clever and highly practical response to the near total absence of services, infrastructure, and trust in a local currency in conflict-affected environments.³¹ Legal trade is easily undermined in a highly decentralized state where provincial and local authorities receive little, if any, transfer payments from the capital, including for salaries, and where taxes and fees related to gold trade and production are punishingly high.

Since most basic standards for formalizing the artisanal mining sector have not been designed for the lowest common denominator, they are neither an incentive nor attainable in the short or even medium term for the majority of artisanal miners. What's more, the demand for evidence of due diligence offers no immediate or tangible reward to those who provide it—it tends to serve the downstream first and foremost.

³¹ IMPACT, *The Intermediaries*.



LEARNINGS ABOUT THE CONTEXT

More needs to be done to incentivize loyal participation in the upstream ASM legal gold trade.

3Ts continue to benefit from limited international destinations and smelters affected by international laws. While we should not discourage global interest in formalizing the ASM gold sector, downstream actors and donors must ensure proposed solutions are adapted to all ASM contexts including the lowest denominator.

Despite the OECD Due Diligence Guidance's embrace of "progressive improvement" to encourage market engagement

with DRC's ASM gold sector, in reality, buyers just go where there is less scrutiny. The language of risk needs to be altered to reflect the transformative opportunity presented by ASM. Downstream market actors who take meaningful and bold steps to actively participate and scale responsible ASM trade in conflict-affected contexts must be applauded and publicly-supported by industry initiatives.

Responsible ASM gold is in direct competition with illicit trade. Work to challenge drivers of illicit trade at national, regional, and international levels must be done in parallel to developing traceability and due diligence schemes. This includes tackling high taxes and fees, inconsistent customs and export policies across regions, the role of pre-financing in the gold trade, impunity for a handful of known regional and international traders, and how international trading centers contribute to gold smuggling.



POWER OF DATA

Because we value data and what it says about the supply chain, the Just Gold Traceability and Due Diligence System provides reliable, fact-based, and timely data on traceability, due diligence, and the impact of downstream engagement on the development and security of a community. We collect information on the chain of custody of gold so transactions and transports are logged from beginning to end of the supply chain. Due diligence ensures there are no links to armed groups or public or private security forces engaged in human rights violations such as child labour or the controlling and taxing of mine sites and transportation routes.

Data can be used for due diligence, record keeping for transactions, compliance and public reporting, sharing information with consumers, and more.

The Just Gold Traceability and Due Diligence System tracks:

- project miner information and ID numbers, along with mine site information, which are verified with every transaction against what is recorded in the traceability and due diligence system

- chain of custody reports that confirm weight and purchase details, allowing gold to be traced back to the individual miners, team, and mine site pit that produced it
- forms declaring gold for export, paying legal export taxes, securing proper export and regional certificates
- sale of traceable, legal, and conflict-free artisanal gold directly with an international market actor
- security and human rights incidents in and around mine sites, transaction points, and transportation routes
- any legal and informal payments made along the supply chain



THE JUST GOLD
TRACEABILITY AND
DUE DILIGENCE SYSTEM
WORKS FROM MINE
SITE TO EXPORT

The Just Gold Traceability and Due Diligence System ends at the export level; however, the supply chain continues beyond the producing country.

The system makes available the information necessary for companies to fulfill their requirements for public and compliance reporting on risks in their supply chain and steps they have taken to address them.

However, the Just Gold project goes one step further: collecting and analyzing gender-disaggregated socio-economic data on miners and their communities from community consultations and surveys, as well as technical, capacity, and environmental impact assessments.

This provides IMPACT and anyone sourcing from the project evidence of the positive or negative impact they are making on the community. Recently, IMPACT explored how local communities and policymakers can use relevant data analysis to inform planning and decision making (*see Section 7: Responsible Gold—Advancing Evidence-based Local Empowerment*).

POWER OF INCENTIVES

IMPACT believes that miners in the artisanal gold sector are more motivated by incentives than by enforcement measures. The Just Gold project creates incentives for artisanal gold miners to channel their product to legal exporters and eventually, to conscientious consumers.

Artisanal miners are economic actors in their own right, motivated by profit as much as any other actor on the supply chain. Since ASM is largely poverty-driven, circumstance dictates willingness to participate in legal activities, commitment to legal trade once yields have been optimized, and patience for return on investment.

Incentives for miners and other upstream actors (traders and exporters) are essential to the sustainability of any schemes, standards, and short technical interventions offered to mining communities to produce and trade responsibly and transparently.

Incentives help improve miners' margins and practices and make it easier for them to participate in the sector. Once miners understand how the incentives support their practices and help them—either in the short or long term—they trust the Just Gold project and become loyal to the Model Trading House (MAM). In the Just Gold project, miners are obligated to sell to the MAM or risk losing access to project incentives.

This incentive-based approach is particularly important for miners in conflict-affected and high-risk environments whose livelihoods are precarious. They are eager to be rewarded with access to the international market or fairer prices, but they also don't have the luxury of waiting for returns on investment. Their level of economic desperation calls for an immediate reward more than other contexts. That means that incentives must be tangible and immediate in a context, where there isn't significant interest from commercial investors. It also magnifies any investment or risk that they and other upstream supply chain actors assume to implement supply chain due diligence in alignment with the international market's expectations.



IN CONFLICT AREAS,
MINERS DON'T HAVE THE
LUXURY TO WAIT FOR A
RETURN ON INVESTMENT

INCENTIVES PILOTED THROUGH THE JUST GOLD PROJECT:

Technical Assistance

The Just Gold project provides a comprehensive technical assistance program based on mine site assessments that includes training for miners on mine production efficiency, safety, environmental mitigation, land use, and gender sensitivity. Through the technical assistance program, women and men miners increase their knowledge about their profession and learn new skills such as working with and repairing new equipment, working with retorts to decrease mercury, installing and operating larger-scale processing equipment, and increasing their level of mechanization.

Allyship

To decrease the disproportionate burden of legalization and formalization, the Just Gold project serves as an ally to ASM miners and communities by advocating for lower taxes, fiscal reform, and harmonization.

Credit and Savings

We established the Artisanal Mining Women's Empowerment Credit & Savings (AFECCOR) project to help miners in the Just Gold project and women and men in the broader community avoid informal, and predatory credit networks and decrease their reliance on gold as currency. AFECCOR promotes economic security, allowing members to invest their savings into new economic activities.

International Market Access

The Just Gold project is a way for local miners to gain access to international markets through legitimate channels. With IMPACT's support, the cooperative *Coopérative pour le développement des exploitants miniers artisanaux* (CODEMA) secured access to much-needed inventory financing from international buyers which lessens miners' dependence on informal and predatory lenders who advance cash and other resources in exchange for gold.

Transparent Pricing

Miners in the project are provided with a daily London Bullion Market Association (LBMA)-based purchase price for both rock and alluvial gold which is posted publicly to encourage transparency and trust.

Proximity

By situating mine site trading outposts (mini-MAM) as close to the mine site as possible, the Just Gold project makes it convenient for miners to sell their gold directly at the mine site level to licensed traders instead of travelling long distances to do so.



LEARNINGS ABOUT PARTICIPANT MOTIVATION

Each incentive we piloted had different rates of success.

Some had immediate returns while others were a longer investment.

Technical assistance generated initial spikes in loyalty that would then fade. When expectations for technical assistance overtook the overarching objective of achieving conflict-free, traceable gold,

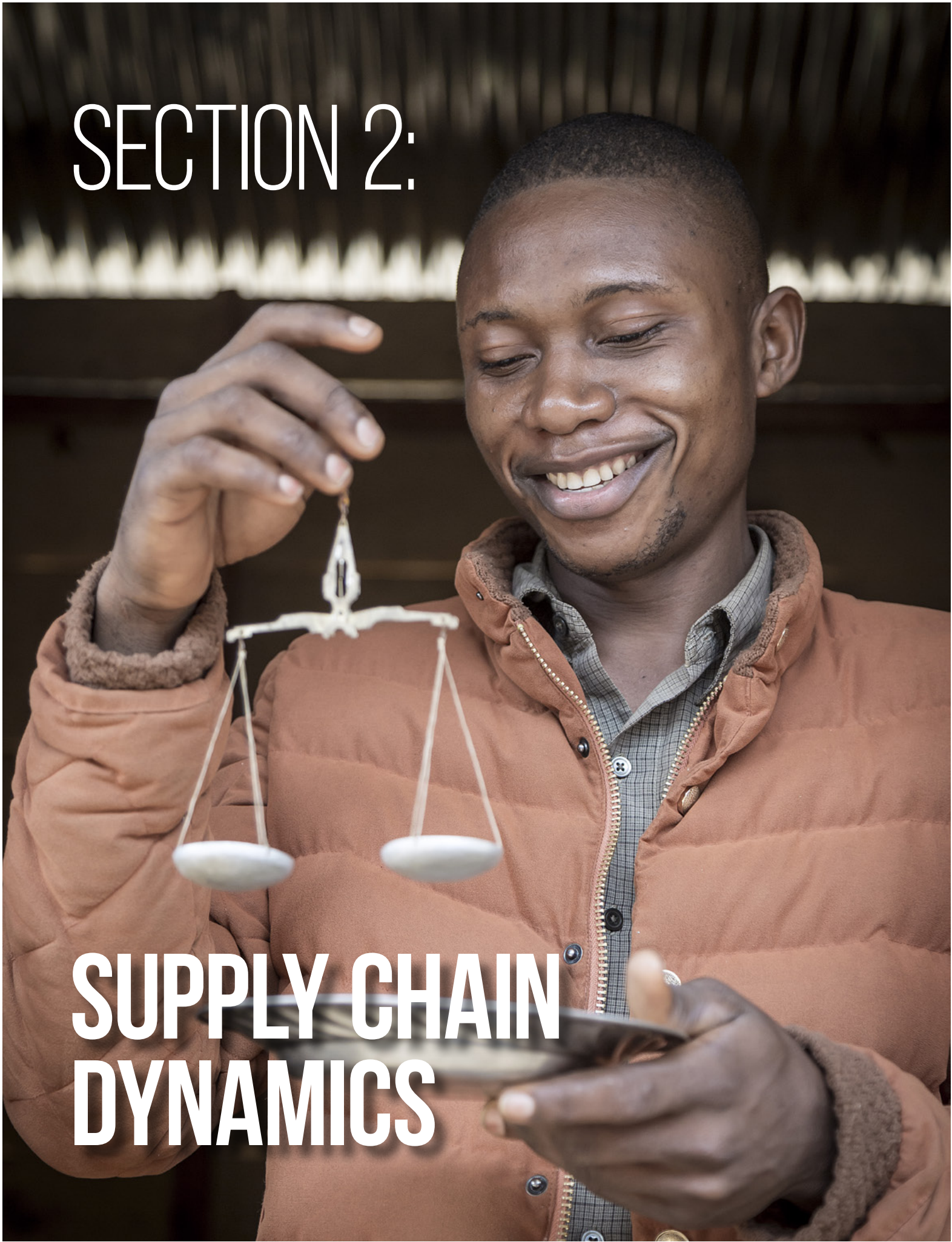
we modified how to articulate project goals. Through community sensitization, training, and stakeholder outreach, we revised messaging to explain how optimized mining practices and prospecting are forms of technical assistance that can increase both product yields and safety.

The most lasting and highly effective incentives proved to be transparency on pricing, availability of cash on hand (through inventory financing) to buy the gold as soon as it is mined and pre-processed, and proximity to the mini-MAM (see *Section 2: Supply Chain Dynamics*).



SECTION 2:

SUPPLY CHAIN DYNAMICS



PRICING

JUST GOLD'S PRICING MODEL

One of the key components of the Just Gold project is to introduce transparency and development of a commercially viable pricing model for the local cooperative. This includes setting the cooperative's gold purchase rate based on the international market LBMA rate for gold. This daily price setting adjusts the LBMA rate for local purity as well as treatment and smelting losses incurred between the point of purchase and export. The formula used for this process mirrors formulas used by licensed exporters to minimize any financial risks beyond the fluctuation in daily price between day of purchase and day of export.

HOW THE PRICE OF GOLD IS CALCULATED



REFINER

The refiner agrees to pay a certain percentage of the LBMA rate to the exporter to purchase gold



The refiner's price is reduced to account for various costs along the way, while ensuring fair margins for all supply chain actors

EXPORTER'S DEDUCTIONS

- Operating costs for the exporter, including profit
- Export costs such as transporting gold to the refiner
- Costs related to the smelting of gold
- Taxes and fees paid for the export of gold

COOPERATIVE'S DEDUCTIONS

- Operating costs for the cooperative, including profit
- Community costs such as legitimate payments to land owners where mine sites are located
- Costs for removing impurities from the gold such as iron
- Optional disincentive for mercury use



MINERS

The price paid to miners, based on the daily LBMA price



PAYMENT FOR DATA

A percentage of the LBMA rate is paid by the refiner for the data that is provided to demonstrate that traceability and due diligence has been carried out. This is paid to the exporter, cooperative, and miners for their role in supplying this data, minus the costs associated with carrying out traceability and due diligence.

The percentage of the LBMA rate paid by the refiner for data was never operationalized in the context of DRC as the costs of doing legal business were already too high.³² This was especially the case when volumes of responsible gold being exported were still low.³³

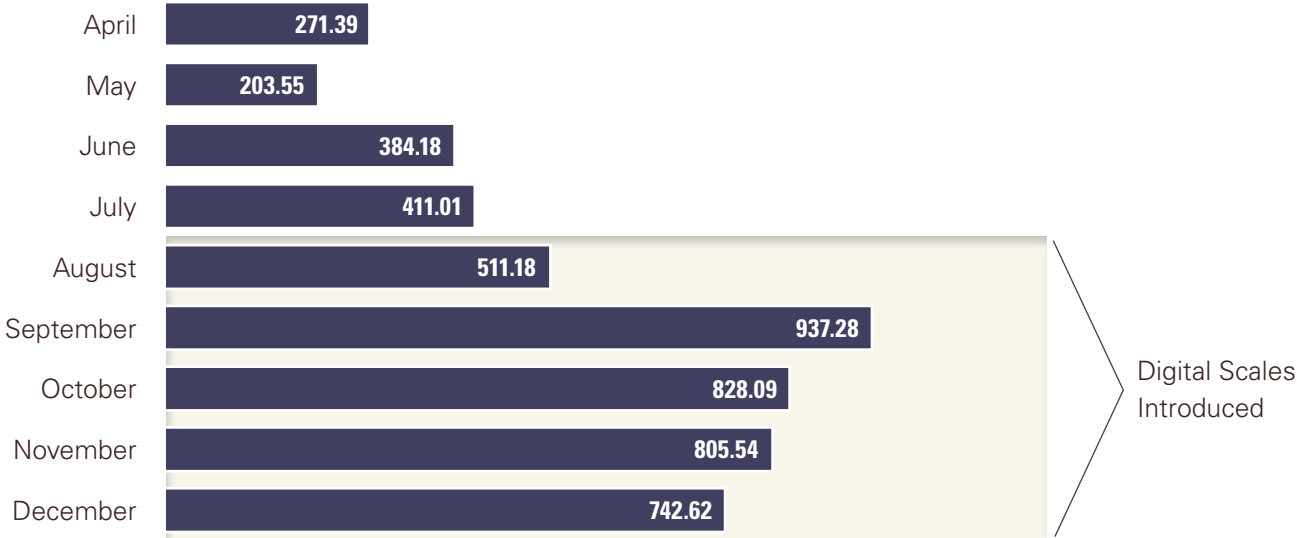
WEIGHT

An important element of price transparency is the fair and accurate determination of gold weight at the point of sale. Traditionally, weight is determined by a hand-held balance scale using coins and matchsticks as counterweights, which can be inaccurate or altered. Since results almost always favour the trader, trust of local miners in the scales and traders is low. Additionally, miners are often given arbitrary prices by informal or illicit traders without explanation of how they are calculated.

In August 2016, the Just Gold project supported the CODEMA cooperative and its traders to purchase gold using digital scales, along with the ability to buy gold closer to the mine sites (through mini-MAMs). We distributed small portable digital scales to participating women and men miners. These were regularly calibrated by traders associated with the project. Miners at all mine sites began to sell their daily production, as well as some gold that had been stockpiled. The positive impact was immediate with an increase in reported gold production.

REPORTED GOLD PRODUCTION AND DIGITAL SCALES AS AN INCENTIVE³⁴

2016 Total Gold Production Reported to the Just Gold Project (grams)



³² Beyond the price paid for data directly to the upstream supply chain actors, which is a percentage of the LBMA rate negotiated between supply chain actors, no fees are charged by IMPACT for the implementation of the Just Gold Traceability and Due Diligence system.

³³ In September 2020, IMPACT announced its Just Gold project in Côte d’Ivoire had achieved the first responsible and traceable artisanal gold supply chain which was commercially viable. See: “First Responsible, Traceable, and Commercially-Viable Artisanal Gold Supply Chain Operational in Côte d’Ivoire,” *IMPACT*.

³⁴ Aggregated from the Just Gold Traceability and Due Diligence System.

When the Just Gold project started in Mambasa, all traders used traditional weights. Once we introduced digital scales, many informal traders began using digital scales too. IMPACT observed that soon after, many if not all traders across Mambasa were using digital scales because of miners' distrust of traditional weights and scales.

We found that informal traders were always analyzing our system and then setting themselves up to compete. When we would innovate, they would follow. Sometimes this would be positive for artisanal miners who sold to informal miners, and sometimes it would be negative, like when they would adjust the scales to give the illusion of a higher price (see below: *Pricing Model*). Anecdotal evidence suggests that this innovation adopted by local traders accounts for the decline in reported sales to the Just Gold project between December 2016 and May 2017.

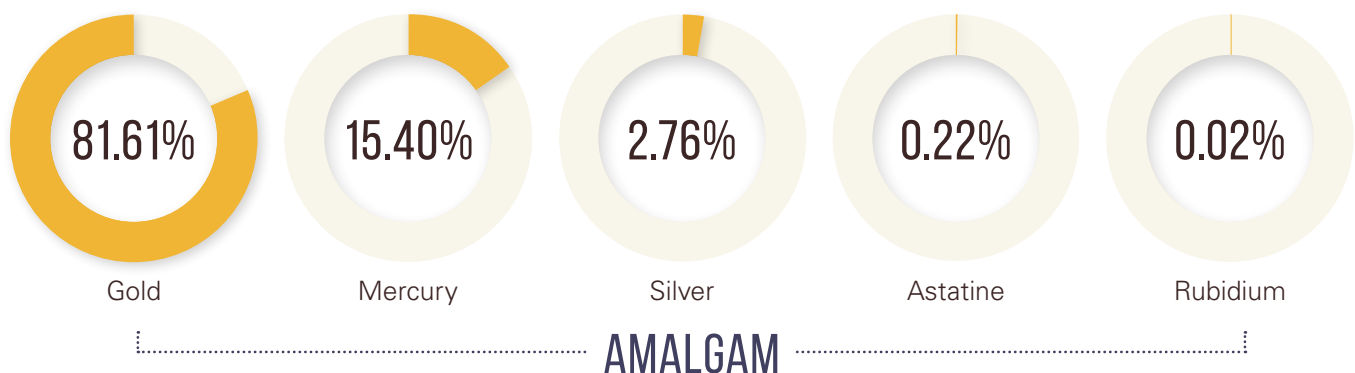
PURITY

Originally, traders associated with the Just Gold project used a single standard gold price for all participating mine sites. This was initially possible due to reasonable levels of homogenous purity in the gold amongst the participating mine sites, ranging between 90-92 percent for alluvial and 82-88 percent for amalgam gold.

Greater fluctuation in gold quality was observed when additional mine sites were added to the project. The project supported miners to use additional treatment processes, like acid washing in a controlled setting, to minimize environmental and health impacts while moving toward mercury-free processing. As a result, low purity gold increased its quality from 66 percent to between 78-82 percent.

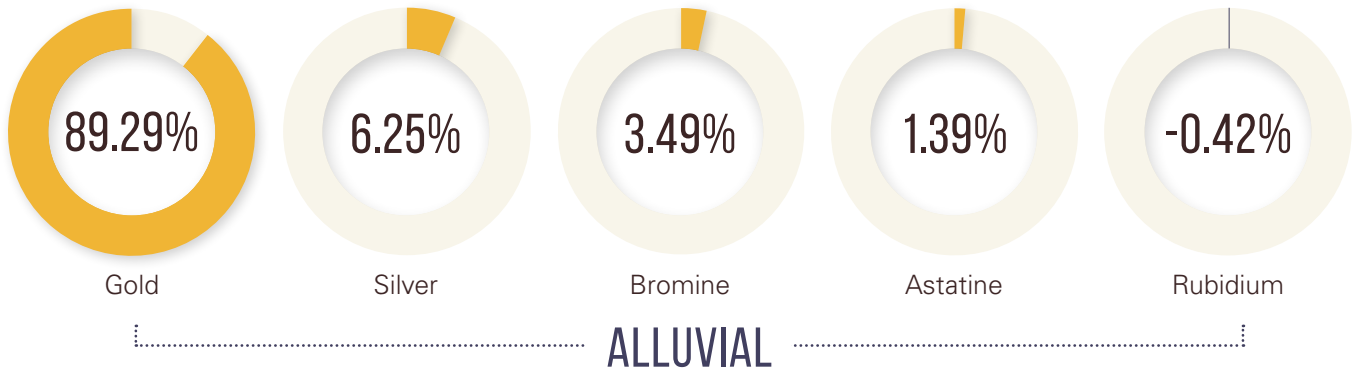
One mine site with significant rock gold production had high silver content. The mine site's low purity gold had a significant impact on the overall selling price when it was mixed with gold from other mine sites. Since traceability allows for gold to be segregated at individual mine sites before being shipped and exported, it facilitated the calculation of gold prices for each individual mine site based on gold purity.

ANALYSIS OF AMALGAM GOLD PURITY DURING EXPORT IN 2017³⁵



³⁵ Based on assay results independently requested in Canada by Fair Trade Jewellery Co., September 2017.

ANALYSIS OF ALLUVIAL GOLD PURITY DURING EXPORT IN 2017³⁶



To increase transparency among miners about pricing and purity, we provided information and knowledge on purity issues at all the mine sites, including the fact that purity is a geological determination and any attempt to manipulate this is easily detected. Today, when miners arrive at the mini-MAM, they all ask for the LBMA price and know the purity of the gold at their own mine site. They also understand how purity is related to the gold prices offered.

COOPERATIVE'S PRICING MODEL

The local trader seemingly pays a price for ASM gold that rivals the international spot price, which is not commercially viable. However, upon closer scrutiny and testing through digital scales, it became clear that local traders had managed to adjust digital scales to give the illusion to miners of a higher price, similarly to how they had adjusted the hand-held scales. When the scales were correctly calibrated, the actual price offered per gram was exactly what was being offered by traders affiliated with the Just Gold project, taking into account all the upstream supply chain costs such as transport and taxes.

Over time, the Just Gold pricing model became understood by the cooperative leadership and the mine site administrators. However, the illusion of a higher price being offered by informal traders continued to hamper buy-in from all cooperative members. When the Ebola crisis limited IMPACT's support, the CODEMA cooperative became more independent. It opted to use the Just Gold pricing model and because the international spot price for gold was so high and its margins calculated as a percentage of the LBMA rate, the cooperative saw its first profit of \$800 USD for the sale of 350 grams.³⁷ This translated into greater buy-in at the mine site level and by mine site administrators in particular, resulting in more gold sold to traders associated with the project.



INFORMAL TRADERS
ADJUST THEIR SCALES
TO GIVE THE ILLUSION
OF A HIGHER PRICE

³⁶ *Ibid.*

³⁷ Aggregated from the Just Gold Traceability and Due Diligence System.

By April 2020, CODEMA had generated a total profit of \$6,200 USD.³⁸ Unfortunately, the mine site administrators, who also constitute the cooperative's executive board, did not share this newfound wealth. Instead, they decreased the amount miners are paid at each mine site so miners did not get their fair share of the profit. This underscores how a cooperative model that runs in parallel to or is overlaid onto a deeply entrenched customary model—one that is highly exploitative—cannot effectively operate in the interests of all of its members.

LEARNINGS ABOUT PRICING

To support a price for gold that's more enticing to different supply chain actors, all aspects of processing and trade need to be identified and mapped, including:

- » all costs and margins related to legal production and how they compare to the status quo (informal practice)
- » the illicit and informal market that competes with and drives out most legal trade
- » long-term costs related to the implementation of due diligence (separate out any start-up costs paid for with donor funding and calculate all business costs linked to responsible gold production and trade, which are often partially or entirely subsidized in the early stages of a responsible sourcing project as a means to nurture partnership and buy-in)
- » supply chain inefficiencies, including valuable trace elements in gold (such as silver), that can be paid out to miners as an added incentive

A standardized pricing model should be explored using the *Centre d'Études et d'Expertise en Certification* (CEEC) benchmark price list, known as the *prix mercurial*.³⁹

Take into consideration gender-disaggregated information and other identifiers that can often reveal deep societal inequalities or tension to prevent conflict and ensure all actors in the supply chain benefit equally from responsible sourcing.

Transparency is a powerful incentive in challenging the informal circuit that buys gold at distorted prices or cheats on weight.

Transparently setting and posting prices daily using international standards builds trust and confidence amongst miners.

Determining gold weight by fair and unalterable means builds trust and confidence amongst miners.

Since gold purity fluctuates at mine sites, setting a uniform buying price per gold type (for example, a price for alluvial and for amalgam gold) is extremely difficult.

Despite being the same as the informal traders' model, the Just Gold project pricing model was initially too complicated to understand. Once understood and generating a margin, there was uptake by the cooperative. However, not all members benefited.

A cooperative that runs in parallel to or is overlaid onto a deeply entrenched customary model—one that is highly exploitative—cannot effectively operate in the interests of all of its members. Promoting or legally requiring the adoption of a cooperative model requires a strategy to engage with non-cooperative models that are already deeply entrenched and whose values and principles run counter to those of legitimate cooperatives.

³⁸ *Ibid.*

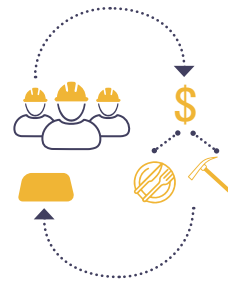
³⁹ The CEEC sets the weekly price of raw materials, including gold, to be used by the country's traders and exporters. The price is based on the LBMA spot price, with due consideration of the country's foreign exchange regulations.

FINANCING AND PRODUCTION DATA

A mine site's economic structure requires miners pay for supplies, food, and more with some of the gold they produce. We learned that this caused a consistent discrepancy between the production amount recorded by miners in the Just Gold project and the amounts made available for sale at the project's trading outposts (mini-MAM).

When miners realized they would not fulfill their obligations to the project by not selling their full production at the Just Gold project mini-MAM, they would deduct the gold they used to pay for supplies, food, and more and only declare on production forms what they would take to sell. This resulted in discrepancies between the total production declared by miners, mining teams, and mine sites. This realization pushed us to move away from enforcing production tracking. Instead, we focused on building trust with miners and addressing the often practical and logical reasons for their under-declaration to the project, such as described above.

One reason gold is used as currency at the mine site is the absence of cash advances through reliable, accessible, fair, and transparent credit and savings services. Miners often sustain themselves at the mine site by obtaining credit from a mine-site level restaurant or general store for supplies and food. In addition, miners obtain access to small equipment, such as motor pumps from external suppliers and the mine site administrator, to pre-finance their mining activities. In both scenarios, lenders require miners to repay their credit in gold production at a discounted price, thereby creating various situations of indentured labour.



MINERS OBTAIN CREDIT AT THE MINE SITE RESTAURANT OR FOR EQUIPMENT ACCESS, AND REPAY THEIR CREDIT IN GOLD

Gold used in lieu of cash finds its way into informal circuits and cannot be tracked or controlled. This is considered "outward leakage" from the Just Gold project. It is nearly impossible to carry out due diligence on the providers of this credit, who along with their respective networks can also pose security risks.

One way we strove to mitigate this outward leakage, with due consideration for safety and security, was by supporting the creation of Village Savings and Loans Associations (VSLAs) in mining communities through the AFECOR project. Since association members are encouraged to exchange the gold they mine for cash (only cash is accepted as savings in the AFECOR project), demand for cash increases and can lead to more gold in the legal supply chain. By the end of AFECOR's first financial cycle, 70 percent of women and 57 percent of men in the AFECOR project reported using more cash in daily transactions.⁴⁰

⁴⁰ IMPACT, *AFECOR: Supporting Artisanal Gold Mining Communities to Access Savings and Credit*, September 2019, https://impacttransform.org/wp-content/uploads/2019/10/AFECOR-brochure_Sept-2019-EN_Web-2.pdf.



LEARNINGS ABOUT FINANCING AND PRODUCTION DATA

Mine site administrators who often have reliable production data must be willing to share it and enter it into the traceability system.

Without incentives specifically targeting them, mine site administrators influence their miners not to sell through the Just Gold project.

To motivate mine site administrators, they should be involved in decision making about the more valuable project equipment. Management responsibility of that equipment should then be shared between the cooperative, the administrator, and the community to ensure a somewhat committed level of engagement

and more consistent collaboration, including the provision of more reliable production data.

Gold used in lieu of cash becomes outward leakage to the Just Gold project. Carrying out due diligence on the providers of credit is nearly impossible and can pose security risks.

Irrespective of how robust a traceability system may be, accurate capture of production data applicable to artisanal gold is almost impossible. This is because the miner that discloses

their production, loses part of that production to either another supply chain actor or a state actor in the form of taxes, levies, and fees. Given this challenge, we rely primarily on sales data.

Not pressuring miners to declare production data generates a greater level of trust and collaboration.

Once the project establishes the relationship between sales data and production (through spot checks at the mine pit level), estimating production based on total sales provides an estimate that is almost as accurate.



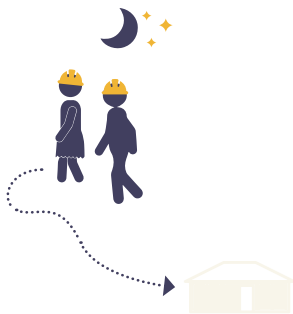
PROXIMITY

Distance between the centrally located Model Trading House (MAM) and some of the mine sites became a significant issue, particularly when daily gold production was low.

It became apparent that miners tend to stockpile their gold until they either need money or have sufficient volumes. As mine sites are often spread out across distances, it can be anywhere from 3 to 10 km to the MAM. This distance is often covered by foot, sometimes in the dark of night, posing a security risk. Women are at greater risk if they have to travel longer distances to sell their gold. They have household responsibilities that require that they stay close to home and need immediate access to cash for daily household needs.

It became apparent that when miners need money and have only small volumes of gold to sell, they are more likely to sell to roaming informal buyers or other licensed traders instead of making the trek to the MAM.

To mitigate these challenges, we first introduced travelling licensed traders affiliated with the project who would visit mine sites to buy gold. The project then moved to a trading outpost model (known as the mini-MAM). The mine site trading outpost is staffed by a licensed gold trader affiliated with the Just Gold project and paid by the cooperative. These traders buy gold directly from the miners at the mine site and ensure traceability and due diligence at the mine site level—data that is reconciled with the cooperative and project staff.



MINE SITES ARE SPREAD ACROSS DISTANCES AND MINERS MAKE THE TREK TO THE TRADING HOUSE BY FOOT, OFTEN AT NIGHT

The trader is responsible for collecting production statistics for each pit and each mining team. Initially, the trader would circulate through the entire mine site every day and monitor which pits were active and productive to ensure they capture 100 percent of gold produced. This approach proved to be insecure at times and difficult to maintain, so we established mini-MAMs as close to the mine sites as possible. Large mine sites have several mini-MAMs. Instead of attempting to capture production by mining teams themselves, they combine sales statistics with the volume in each team's pit.

With this structural change in trading practice, miners and mine site operators sell gold directly to the traders affiliated with the project at the mini-MAM at the end of each day, prior to settling any other debts. Seeing margins increasing by approximately 10 percent and no longer losing money to informal, corrupt traders, miners can use cash earned from gold sales to pay off debts.

Mini-MAMs led to traders associated with the cooperative reducing their missed sales from 45 percent to 30 percent, increasing overall sales volume by 15 percent. As a result, the cooperative generated an additional \$2,673 USD per month.

LEARNINGS ABOUT PROXIMITY

A centrally located trading house is effective only when the volume of gold production is worth miners' effort to travel and risk.

This ratio is difficult to achieve for miners with the Just Gold project due to low production (sometimes just 1 gram), remoteness, security issues related to transport and stockpiling, and the need to pay off creditors at the mine site.

The cost of installing a trading outpost at the mine site level is offset by the value of the gold otherwise lost, translating into a substantial benefit for the cooperative.

Paying traders at the Mini-MAM a salary is not sustainable if there is not enough profit being generated by their transaction to cover it. A performance-based payment, similar to one used by other traders should be explored.

MOBILITY OF MINERS

Initially, we intended to base miners' participation in the Just Gold project on mining teams and their respective mine sites. However, miners change teams and sites on a regular basis and they may work on multiple teams at one mine site.

Miner mobility makes it difficult to track gold directly to the pit level. Gold purchased by the Model Trading House (MAM) could be traced to a mining team, but not to a particular mine site or pit. While no breach of the chain of custody was observed, gold's origin could not be validated due to the missing connection between mining teams and associated mine sites.

To address this issue, we adjusted the project in August 2016 to record mine sites, active pits within mine sites (using GPS coordinates), mining teams associated with the pits, and the miners in each mining team.



MINERS MOVE TO DIFFERENT TEAMS AND MINE SITES FREQUENTLY



LEARNINGS ABOUT MINER MOBILITY

The more miners in a mine site, the greater production per miner.

ASM is migratory: the moment production per miner decreases, miners begin to move away. If production per miner increases at a site, the number of miners at that site will also increase.

To be valid, a traceability system must be able to trace the commodity (gold) from its source (active mine pit) and then link the commodity with the actors

(individual miners or mining team) who have custody of the commodity at any given time.



REPORTING ON SUPPLY CHAINS IN CONFLICT SETTINGS

Reporting on supply chain incidents is a key part of the Just Gold project's Traceability and Due Diligence System and an important component in the implementation of IMPACT's security policy.

The supply chain incident reporting system is designed to do four things:

1. ensure all of the actors along the supply chain who are participating in the Just Gold project have a consistent and effective method of monitoring, reporting, and reviewing incidents and near misses that affect due diligence
2. ensure supply chain actors have a systematic method of reviewing the security environment in areas where the Just Gold project is being carried out and they can tailor security advice and mitigation measures to the prevailing situation
3. provide a way to record how incidents along the supply chain have been mitigated or resolved and note any key lessons learned
4. monitor the changing context on the ground and the Just Gold project's influence

The supply chain incident reporting system moved online in June 2018 through KoBo ToolBox, an open source data collection system developed by the Harvard Humanitarian Initiative.⁴¹ Between 2018 and September 2020, the CODEMA cooperative reported 21 supply chain incidents.⁴²

⁴¹ See: <https://www.kobotoolbox.org/>.

⁴² According to the IMPACT's supply chain incident reporting system, since June 2018, CODEMA reported 12 incidents of corruption or fraud, 1 incident of violence including human rights violations (rape near a mining camp), 4 incidents of theft (gold or cash), 2 incidents of a presence of armed actors in the mine sites (state and/or non-state), and 2 other incidents. These incidents are based on the risks outlined in the OECD Due Diligence Guidance.



LEARNINGS ABOUT SUPPLY CHAIN REPORTING

Any type of local security monitoring system must be embedded within existing structures (for example, non-profit organizations or associations) to be efficient and viable over the long-term. When that type of structure or capacity does not exist, its creation should be encouraged and supported.

The implementing organization, such as IMPACT, should not be responsible for reporting incidents. While it can oversee and support reporting at the beginning, it should remain a provider of accessible information and capacity building. This helps avoid any confusion regarding its role and any perceived conflicts of interest. This is also important for sustainability purposes: gaining interest in and appreciation for incident

reporting will lead actors to engage proactively with the system throughout the lifespan of a project and beyond; by consistently monitoring, reporting, mitigating, and learning, they will feed back into their own learning loops.

Capacity building and training on supply chain incident reporting will equip supply chain actors to recognize ongoing situations that may otherwise have been considered societal norms or part of the

context (e.g.: corruption) as risks that need to be mitigated and properly managed. This deepens their capacity to engage with local government officials, thus enforcing internationally recognized processes and procedures that should eventually allow smaller actors to gain greater access to the international market.

Once an incident reporting system is put in place, there will be a sudden noticeable increase in incidents. This is a normal consequence of initiating reporting, not an indication of worsening conditions.



COMMUNITY DYNAMICS AND SUPPLY CHAINS IN CONFLICT SETTINGS

A key element in our approach was understanding the social, economic, and cultural context in which we were implementing the Just Gold project. Demographic information about the area was mostly anecdotal or based on unreliable estimates. To better understand social dynamics and gender norms in the area, we drew on previous research⁴³ and the input and knowledge of key informants living and working in the region.

Our analysis found artisanal mining to be the most important economic sector in the area, helping to sustain other businesses and small trade. This led us to structure and monitor the Just Gold project with greater sensitivity to highly gendered power imbalances, community-level conflicts, and corruption risks.

⁴³ IMPACT's Women in Artisanal & Small-Scale Mining in Central and East Africa research project, studied the role of women in the artisanal mining sector and opportunities for their empowerment. See: <https://impacttransform.org/en/work/project/women-in-artisanal-and-small-scale-mining-in-central-and-east-africa/>.

The community had experienced significant population growth in the last decades, primarily from the migration of Nande people from the North Kivu area and others fleeing armed conflict. Nande people now outnumber the local population, dominating the agricultural and mining sectors. This strong migrant presence, as well as the accumulation of both economic and political power amongst the Nande, was creating conflict and social tensions with the local inhabitants, particularly with respect to land ownership and access.

The Mambasa Territory is governed by a patriarchal traditional system led by chiefs at all levels, from chiefdoms to communities. The customary system is an intrinsic part of political and administrative life in DRC, including access and right to use land for mining, and controlling the resulting benefits through the collection of mining royalties. Instead of benefitting the local community, in many cases, money generated remains in the hands of chiefs. This system is prone to corruption since those with the means to pay off local chiefs are generally the ones who have the greatest access to land.

Gender inequality is entrenched in the political, social, and economic lives of women and men in Mambasa. At the political level, men dominate decision making and women are absent from any roles in local governance, including local-level disputes in which they themselves are involved. Women are most likely to work in the lowest-paying jobs in the ASM sector, with cultural taboos and stigma often preventing them from advancing to higher-paid positions. They are often paid less than their male counterparts for the same work and are less likely to organize into teams, resulting in greater challenges in accessing credit with favorable terms. This makes women vulnerable to predatory lending. Despite this, our research showed that when they participate in the sector, women contribute significantly to the economic well-being of their households and are more likely to invest their income in other income-generating activities that serve to further their goals, such as paying school fees or building a house.⁴⁴

Programming in conflict-affected areas must understand and address potential conflict-drivers. To increase community resilience to conflict and contribute to women's empowerment, IMPACT introduced a series of complementary objectives and activities to the Just Gold project in 2017. Our approach was to build the capacity of existing or emerging community-based associations and organizational structures.

Activities to build women's capacity and value their contribution in the supply chain led to the creation of a new women's association, the Network for the Empowerment of Women in Mining Communities (RAEFECOM). RAEFECOM brings together 386 women from six communities and six mine sites.⁴⁵ Half of RAEFECOM's members earn their living primarily through mining. Addressing peace and security has been at the heart of their actions since these are the issues directly affected them, limiting their abilities to participate fully in decision making processes in their homes,

⁴⁴ IMPACT, *Les femmes dans l'exploitation manière artisanale et à petite échelle – La République démocratique du Congo : Les résultats de la recherche*, July 2017, https://impacttransform.org/wp-content/uploads/2017/09/Women-in-ASM_DRC_final-July-2017-FR.pdf

⁴⁵ "Women in Democratic Republic of Congo Create Network to Empower Women in Mining Communities," IMPACT.

mine sites, and community. 60 women at 14 Peace Hubs are now trained on the peaceful mediation and resolution of conflicts.⁴⁶ Thanks to their mediation, 90 local conflicts have been resolved peacefully.

Supporting women's leadership has had a positive impact on their ability to gain positions on the executive board of the mining cooperative, CODEMA. Women's leadership in the cooperative has helped the cooperative to consider the needs and interests of women miners and has made it easier for women to access pits and equipment, both of which enhance status. Women have also formed subcommittees that have proven to be models of adherence to traceability and due diligence.

By supporting REAFECOM, there is now a large community base favourable to the Just Gold project's gender-inclusive approach. Our presence on the ground has allowed us to:

- enhance our understanding of the relationship between women and men
- adapt the project to community dynamics
- develop more effective strategies to empower women
- increase women's leadership in local governance structures
- strengthen women's ability to become promoters of peace and nonviolence in their communities



WOMEN'S
LEADERSHIP ENSURED
THE COOPERATIVE IS
CONSIDERING THE
INTERESTS OF ALL OF
ITS MEMBERS



LEARNINGS ABOUT COMMUNITY DYNAMICS

Gender and social inclusion are key to lasting development and peace, including as they relate to responsible supply chains.

Conflict mapping is important from the outset and should be included as part of a project's Monitoring and Evaluation. Given the rapidly evolving nature of conflict-affected environments, there should be formal checks every six months to identify emerging conflict risks and to work proactively with community and relevant actors to mitigate them.

When introducing new project components (e.g.: financial inclusion, social empowerment of women), risk assessments should be carried out as formally as possible of all its components and its interactions with other activities. Sometimes synergies or unexpected positive outcomes can take place.

Any project intended to improve the work of miners in mining communities should first examine

its potential impacts on the lives of women. In consultation with women, the project should determine their practical needs and strategic interests, considering their everyday experiences, contribution to the ASM sector and how the project can support them.

Any type of partnership intended to lead to local development and conflict prevention must be embedded within existing social structures and coalitions in order to be efficient and sustainable.



⁴⁶ "Women of Peace," IMPACT, accessed January 4, 2021, <https://impacttransform.org/en/work/project/women-of-peace/>.

A photograph of a young man with a joyful expression, wearing a red t-shirt with a small logo on the chest. He is holding a blue plastic bucket and pouring water. The background is a blurred, rocky or sandy outdoor setting.

SECTION 3:

ECONOMIC SUSTAINABILITY AND COMMERCIAL VIABILITY

Once we had proven traceability and due diligence for artisanal gold is possible in DRC, the next question to answer was: could it be sustainable?

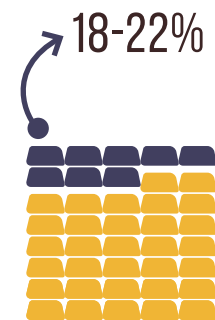
When the local gold economy is understood and incentives are developed to encourage legal trade, sustainability of a traceable, responsible, and conflict-free artisanal gold supply chain rests in large part on the commercial viability of the pricing model involving all actors, from digger to consumer.

Among other factors, economic sustainability for an artisanal gold supply requires recognizing artisanal miners as economic actors who are price-driven and price-sensitive. This is especially important in conflict-affected areas where insecurity can undermine livelihoods from one day to the next. The very survival of artisanal miners and their dependents rests on margins. They cannot afford or risk waiting for a deferred payment or the promise of a market that may eventually engage or that promises to engage only once certain conditions are met.

For it to be sustainable, a commercially viable pricing model must actively identify and remove barriers to the legal market, including the high costs of ASM production and trade as compared to those applicable to large-scale mining (LSM) and to the illicit or informal sector.

In Ituri Province, ASM gold is exported at much smaller volumes than LSM. Since the percentage of export taxes, charges, and fees is directly related to the amount of gold being exported—the more gold, the fewer taxes—the ASM export ends up paying 8-11 percent per gram for the export taxes, charges and fees, comparable to the LSM export which pays the advertised 3.5 percent export tax only.⁴⁷ Due to its lower volumes, ASM exports have higher transport costs to the refiner, averaging 10-11 percent per gram.⁴⁸ As a result, one ASM gold export may cost anywhere between 18 to 22 percent of its volume to legally export and transport internationally, pushing it well over the acceptable LBMA purchase price for gold.

To be sustainable, the Just Gold project will have to overcome the challenges linked to gold volume and inventory financing, as well as an international market that stigmatizes DRC's gold supply.



LEGALLY EXPORTING
AND TRANSPORTING
ONE ASM GOLD
EXPORT CAN COST
18-22%
OF ITS VOLUME

⁴⁷ Aggregated from Just Gold Traceability and Due Diligence System. In 2019, the export taxes for gold were changed from 2 percent to 3.5 percent. See more below in High Taxes and Fees.

⁴⁸ Aggregated from Just Gold Traceability and Due Diligence System.

CRITICAL VOLUME

IMPACT conducted a cost analysis for CODEMA, the mining cooperative in Mambasa, based on its shipments for export in 2018-2019 that took into consideration revenue forecast, capital fixed costs, and variable running costs over a three-year period. Based on our analysis, the cooperative in Mambasa would need to produce and sell approximately 5.0 kg of gold per month to achieve its own commercial viability.⁴⁹

When transportation costs from mine site to point of export where CODEMA sells its gold are factored in, along with taxes and fees, the commercial viability threshold is closer to 5.5 kg per month.⁵⁰ This represents a starting average for any artisanal gold mining cooperative to be commercially viable in Ituri Province.⁵¹ As many taxes and fees vary across provinces, the same analysis would need to be conducted for mining cooperatives in other DRC provinces.

In an effort to increase gold volumes for sustainability and scalability, IMPACT advocated for other neighbouring mine sites to be validated as conflict-free by the government and to either include new cooperatives or expand the existing cooperative's membership. However, an increase in volumes would require a corresponding increase in inventory financing.

CODEMA did not have enough mine sites, and the mine sites it did have, were not supported by sufficient, consistent inventory financing (*see below: Inventory Financing*). As of 2020, CODEMA never reached more than 1.2 kg per month in volume, far from the aforementioned commercial viability threshold.⁵²

While the potential for volume exists, significant outward leakage of gold continues. IMPACT came up with a plan to help mine site administrators be more closely involved with the project and take responsibility for their mine site's full production to be sold at the Just Gold project trading outposts (mini-MAMs). However, the Ebola virus in Mambasa and surrounding mine sites in 2019 prevented us from rolling out the strategy.

In 2018, the DRC government's multi-stakeholder validation mission visited the region and inspected 22 gold mine sites in the Mambasa area, qualifying 15 of them as conflict-free.⁵³ As of November 2020, the ministerial decree has not yet been issued



AN ASM GOLD
COOPERATIVE IN ITURI
PROVINCE NEEDS
TO PRODUCE AND
SELL 5.5 KG TO BE
COMMERCIALY VIABLE

⁴⁹ Analysis based on data aggregated from the Just Gold Traceability and Due Diligence System. Based on taxes and fees at the time.

⁵⁰ *Ibid.*

⁵¹ According to IMPACT's calculations, for one entire upstream supply chain in Ituri Province, up to and including the exporter, to produce and trade legal ASM gold that is commercially viable, the volume threshold is 7kg per month. Commercial viability is defined by full coverage of all operating costs and an acceptable profit for upstream actors. It is also based on the refiner paying 100 percent of the LBMA spot price on gold delivered to its door. It does not include any costs related to due diligence implementation, which were largely subsidized by donors, at least until the threshold was achieved and the market engaged consistently.

⁵² Aggregated from the Just Gold Traceability and Due Diligence System.

⁵³ Equipe Conjointe de Qualification et Validation des Sites Miniers, *Rapport de l'équipe conjointe de qualification et validation des sites miniers dans le territoire de Mambasa en Province de l'Ituri*, November 2018.

validating them as conflict-free.⁵⁴ As of September 2020, these 15 sites have been incorporated by CODEMA which is in the process of setting up a responsible gold supply chain at these sites by extending the Just Gold Traceability and Due Diligence system and establishing mini-MAMs at the mine sites. New monthly volume estimates at these incorporated sites suggest CODEMA will likely cross the aforementioned commercial viability threshold.



LEARNINGS ABOUT CRITICAL VOLUME

Cooperative investment funding for mine site development seems to become feasible once 5.5 kg in monthly production volume is reached, so cooperatives need to start with enough mine sites or high enough production levels to attain commercial viability quickly.

Validating neighbouring sites as conflict-free is a useful way to recruit new sites and new cooperatives for cost-saving and quick scaling.

Geological knowledge and proper technical equipment are needed to determine the viability of mine sites. If a cooperative knows the geology and potential production capacity of its mine site, it is in a better position to negotiate with outside investors.

Mine site administrators play an important role in ensuring all miners are selling their gold to the

trader affiliated with the project to capture maximum possible volumes and minimize outward leakage. In order to motivate mine site administrators, we ensured that they were involved in decision making about the more valued project equipment. The responsibility of managing that equipment was then shared between the cooperative, the administrators, and the community. This ensured a somewhat committed engagement and more consistent collaboration, including as concerns the provision of more reliable production data.

The cooperative needs to have people with skills and be structured to support democratic and effective participation by its members. While the validation of more sites as conflict-free is vital to achieving critical volumes for sustainability and scale, the cooperative's challenges—and those of most if not all cooperatives in DRC—are related to internal governance and managerial competence, not to the mining potential of the country's artisanal mining zones (ZEAs). This is all the more challenging when cooperatives are forcibly overlaid over customary structures (such as mine site administrators).



⁵⁴ According to the revised ICGLR Regional Certification Mechanism, during this interim period these mines sites would be considered “blue,” meaning a mine site can produce and sell minerals for export as long as the exporter has conducted a mine site assessment and no “red” status risks have been found. See: <http://www.icglr-rinr.org/media/attachments/2020/01/06/icglr-regional-certification-mechanism-manual---2nd-edition.pdf>.

INVENTORY FINANCING

Inventory financing is a revolving fund, advancing payment for gold at the mine site and replenished upon export of the gold to downstream buyers. From buying gold to export payment received, it takes an average of six to eight weeks to replenish inventory financing.

It is well documented that legal artisanal gold exports, while very small, are vulnerable to corruption and fraud. An estimated 98 percent of artisanal gold is smuggled out of DRC.⁵⁵ Unit cost of production at this scale is prohibitive without downstream commitment and investment, especially when upstream taxes and fees are both exorbitantly high and arbitrary. Investment by downstream actors and end consumers is required to establish commercially viable models and increase the scale of production and trade of responsible gold.

The cooperative, which needs to produce and sell 5.5 kg per month to be commercially viable, requires roughly \$385,000 USD⁵⁶ in inventory financing, which includes adequate financing for purchasing new gold while waiting for the principal to replenish itself.

INVENTORY FINANCING REQUIRED FOR THE COOPERATIVE⁵⁷



Initially, the Just Gold project introduced a \$50,00 USD initial donation to start the supply chain, used for inventory financing to kick-start the revolving fund for the purchasing and processing of gold from participating mine sites. As production increased through focused technical assistance and the addition of mine sites to the project, this fund quickly became insufficient.

⁵⁵ Group of Experts on the Democratic Republic of the Congo, Final Report S/2014/42, p.37, para. 171, http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2014_42.pdf.

⁵⁶ Analysis based on data aggregated from Just Gold Traceability and Due Diligence System. Inventory financing required is based on the following formula = (daily volume purchased at mine site) x (average purchase price) x (number of purchase days) x (number of shipping days to refiner).

⁵⁷ *Ibid.*

To stretch inventory financing, the cooperative would shorten the purchase cycle by selling to the exporter more than once per month and getting paid by the exporter upon receiving shipments (shortening the shipping days). The first exporter with whom the cooperative worked with experienced cash flow shortages due to delays in payment cycles and money transfers from their buyer.

While the cooperative eventually found new sources of inventory financing through a secondary exporter, it continued to face challenges. Payments were inconsistent or often very delayed. As well, when efficiency in gold processing and mining improved, resulting in significantly more gold production, available inventory financing could not keep up. The inventory financing shortage was further compounded by the absence of a reliable banking infrastructure.

International—even local—bank transfers would take days if not weeks, and there is no local bank branch in the territory where the cooperative operates.

The cooperative continually faced the dilemma loop of needing financing to sell the gold, volumes too small for financing, and requiring financing to increase volumes.



LACK OF RELIABLE
BANKING
INFRASTRUCTURE
RESULTS IN LONG
DELAYS FOR
BANK TRANSFERS



LEARNINGS ABOUT INVENTORY FINANCING

Inventory financing directly affects the ability of the cooperative to buy gold and the ability of the exporter to purchase gold from the cooperative.

Building a responsible, sustainable supply chain requires investment by downstream private sector actors with a steady balance in the fund to ensure no shortages or breaks in money transfers.

Banks and formal financing structures are inaccessible to the ASM sector. Cooperatives may not have all of the documentation required to open a bank account and the cost of bank transfers, compared to other countries, is extremely high with monthly charges in the hundreds of dollars USD. The vast majority of banks are located

in provincial capitals and not in villages, creating a two-tiered system. These banks often lack cash liquidity, requiring customers to wait long hours or return another day. This results in a cash culture and informal system with predatory lending. The weak and fluctuating currency often is to the detriment of the miner who is paid in the national currency, versus the trader who is paid in USD.

Consistent, adequate, and timely payment is critical to the loyalty of the cooperative to the exporter and the miner to the cooperative.

The greater the distance between cooperative and exporter, the more expensive the gold becomes, and the greater the security risks. The question of which upstream actor ultimately assumes this security risk and related costs is a subject of negotiation and sometimes tension.

Without adequate trade financing, a responsible ASM supply chain simply cannot function. If financing is irregular or inconsistent in any way or does not keep up with rising production, it also can't scale.



COMPETITION WITH INFORMAL AND ILLICIT MARKETS

While price transparency and digital scales have been important in reducing the footprint of illicit traders in the area, they have not been effective in encouraging them into legal trade.

REPUTATIONAL RISK AND THE EXORBITANTLY HIGH COSTS OF LEGAL TRADE MAKE BUYERS WARY OF ARTISANAL GOLD FROM DRC



To become a sustainable option for local actors, legal trade must become a competitive option and the price of responsible ASM gold needs to be affordable to the downstream market. Reputational risk and the exorbitantly high costs of legal trade make buyers wary of artisanal gold from DRC.

Legal gold is more expensive from areas that are high in conflict and low in infrastructure and governance, even before the cost of implementing due diligence such as data gathering, traceability, ongoing monitoring, or third-party auditing. Such costs are not calculated into the traditional cost of gold and in this context, must be funded independently, at least in the start-up phase and until the commercial viability threshold of legal trade is realized. Only then can the cost of ongoing maintenance of due diligence be factored in.

A number of factors make ASM gold particularly expensive in conflict-affected economies such as DRC:

- Absence of basic infrastructure – After decades of conflict in DRC, logistics options are limited while secure transport and the most rudimentary banking services, where available, are very expensive.
- Tax regime – While its fiscal regime may appear to align or compete with its neighbouring countries, analyses tend not to account for a multiplicity of provincial-level fees, charges, and taxes that partly subsidize the public services that otherwise do not get paid in a decentralized country like DRC.
- High smuggling – Unscrupulous actors profit off of the backs of miners by carrying out illicit cross-border trade.⁵⁸

Decentralization also means additional fees are incurred with each new jurisdiction when working across DRC provinces, be it transporting and trading gold or transferring inventory financing through banking channels.

With ASM gold used as a financial instrument, local traders who operate outside the legal market seem willing to pay astronomically high prices for gold, close to the LBMA spot price.⁵⁹ This is either an illusion using adjusted scales or tampered weights, or

⁵⁸ IMPACT, *The Intermediaries; The Sentry, The Golden Laundromat: The Conflict Gold Trade from Eastern Congo to the United States and Europe*, October 2018, https://cdn.thesentry.org/wp-content/uploads/2018/10/GoldenLaundromat_Sentry_Oct2018-final.pdf.

⁵⁹ IMPACT, *The Intermediaries*.

they may be willing to take a loss on the gold to capture a larger market share. That gold is then carried by hand by traders or their associates to the closest city where it is converted into USD dollars or commodities and goods needed in communities.

When local traders felt their expansive market share was threatened by the Just Gold project, they increased their prices to unsustainable levels. As their inventory financing dried up or did not keep up with volume production, miners then returned to the project. At the same time, informal traders continued roaming mine sites to purchase anything not going to Just Gold's trading outposts (mini-MAMs).

In 2019, with the emergence of the Ebola virus, the CODEMA cooperative's cash liquidity was strapped because its movements between Bunia (the provincial capital where its bank account is located) and Mambasa were severely curtailed. During this time, and for reasons entirely unrelated to the project, an international refiner that had been buying Just Gold decided to focus its attention on other business priorities.

What little inventory financing the cooperative had dried up overnight. Simultaneously, US Customs and Border Protection announced a new action requiring companies importing artisanal gold from eastern DRC to provide evidence it was not mined with forced labour. Shipments would be seized at the US border until agents had proper documentation.⁶⁰

The cooperative had no choice but to begin selling its production to a licenced local trader outside of the project. The cooperative was completing traceability and due diligence from mine pit to trader and ensured the miners continued to sell legally. However, the responsible supply chain ends there, at least until circumstances change.

Informal trade—which may or may not be transnational, illicit, or trade linked to armed violence—serves a purpose that should not be dismissed without full knowledge of its implications. The Just Gold project and the ASM sector must figure out how to utilize traders' existing knowledge, business acumen, and networks without displacing them. They know better than anyone how to operate effectively in DRC.

A closed pipe approach to cleaning up supply chains excludes these informal traders. In so doing, we fail to acknowledge the role they play where no banks, institutions, or formal structures exist, however predatory their tactics. Communities will continue to rely on them in some form or another. We need to create more compelling incentives for traders to want to be brought into legal system. Their expansive networks and vast market share can also be a doorway to the scalability and sustainability of traceability and due diligence initiatives.



A CLOSED PIPE
APPROACH TO
CLEANING UP SUPPLY
CHAINS EXCLUDES
THESE INFORMAL
TRADERS, INSTEAD
WE NEED TO CREATE
INCENTIVES TO BRING
THEM INTO THE
LEGAL SYSTEM

⁶⁰ "US Customs Checks on Artisanal Gold Stigmatize Democratic Republic of Congo," *IMPACT*.



LEARNINGS ABOUT INFORMAL AND ILLICIT MARKETS

It is important to determine the threshold for commercial viability of responsible production and trade, then create a strategy to achieve it. Once this threshold is determined, then identified supply chain inefficiencies and targeted value offerings or incentives can be unlocked to pay for supply chain due diligence. Removing blockages often requires the involvement of multiple actors, including relevant government agencies, over an extended period of time.

Know the competition. To effectively compete against them, develop a deeper understanding of how illegal and informal markets work. Identify incentives to draw traders into the legal trade in a sustained way.

The cost of ASM gold tends to be highest where due diligence is needed most, e.g.:

in conflict-affected environments that are also weak in infrastructure and governance. Options for sourcing artisanal gold from other settings abound, robbing DRC of opportunities to leverage the market to root out the predatory actors and networks that drive conflict financing.

Informal traders position themselves to step in when inventory financing does not keep up with volumes (as was the case with Just Gold), tricking miners into thinking they consistently offer the better price.

Current traceability and due diligence schemes don't effectively incentivize informal traders to enter the legal market. These traders often play an important role in communities. For these initiatives to be sustainable and scalable, informal traders need to be brought in.



PROVIDING FUNDAMENTAL RIGHTS —LAND PERMITS



THE KEY TO MAKING ARTISANAL MINING A VIABLE AND SAFE LIVELIHOOD IN DRC IS FORMALIZATION OF THE SECTOR

The key to making artisanal mining a viable and safe livelihood in DRC is formalization of the sector.

Formalization includes access to mining permits and licenses to operate, in addition to regulations governing trade, fair taxation, and export procedures – all adapted to the realities of the ASM context. It also includes mining cooperatives that are effectively structured and governed.⁶¹

In DRC, ensuring rights for artisanal miners begins with identifying a dedicated area of land (*Zone d'Exploitation Artisanal* or ZEA) that is affiliated to a cooperative and recognizing individual miners with mining cards (*see below: Prohibitive Cost of Mining Licenses*).⁶² ZEAs are issued by a Ministerial Order after the surface area is verified by a government mining survey team, known as *Cadastre Minier* or CAMI.

⁶¹ DRC is a signatory to the OHADA convention that provides guidelines and a legal framework for the structure and governance of legal cooperatives.

⁶² DRC's Mining Code was revised in 2018. Law No 18/001 of March 9, 2018, which modifies and completes Law No 007/2002 of July 11, 2002, *portant Code Minier*, https://mines-rdc.cd/fr/wp-content/uploads/simple-file-list/code_minier/J_O_n%C2%B0spe%C3%ACcial_du_28_mars_2018_CODE_MINIER-DE-LA-RDC.pdf.

According to the Mining Code, the ZEA provides a form of security for miners in a cooperative by granting them the right of first refusal on their land. If the mining deposit within the ZEA turns out to be unsuitable for artisanal mining, the cooperative can be relocated to another ZEA or can request a permit for small-scale mining within 60 days. In reality however, there are few economically-viable ZEA's compared to the number of cooperatives and it is not easy for cooperatives to fulfill the conditions to obtain small-scale mining permits.⁶³

In addition to the ZEA, mine sites have to be validated by the Government of DRC as "green" prior to any legal export of a mineral from that mine site.⁶⁴ Government appointed multi-stakeholder teams inspect each mine site for the presence of armed groups and human rights violations, including the worst forms of child labour. According to DRC law, inspections are supposed to be carried out every six months.⁶⁵

In December 2012, IMPACT scoured the Orientale Province for a pilot mine site. At the time, there were no ZEAs that met our conditions and no validated conflict-free ASM gold sites. IMPACT relied on the publicly accessible Mining Cadastre and on provincial authorities to verify the information found online and the registered claims. Mangi, north of Kisangani, was selected because it met all basic conditions, including no concession or title holder and all mine site administrators had mining ID cards and regularly paid their fees. This was confirmed by the provincial authorities.

Since no cooperative existed, the first phase of the project was implemented in collaboration with an association of local title holders.

By 2014, the site was found to be situated within the parameters of an expired research permit. The renewal period had expired but the permit had not been revoked by the government as it should have been. This information was held with the Ministry of Mines in Kinshasa but was not publicly available at the time, nor was it known to provincial authorities. The mine site administrators, at least one of whose family had mined the area for three generations, were surprised by the news but also concerned that their access would be threatened by the holder of the expired (but not revoked) permit.

Using the same criteria⁶⁶ and with the support of senior CAMI leadership in Kinshasa, IMPACT identified six mine sites near Mambasa Territory in the newly formed Ituri Province which were confirmed as title-free. All six mine site administrators had their mining ID cards and regularly paid their fees.

A legally registered cooperative was identified in Mambasa, CODEMA. IMPACT supported CODEMA to obtain its recognition by DRC's national Ministerial Decree, which was completed in 2016.⁶⁷

⁶³ *Ibid.*

⁶⁴ Democratic Republic of Congo's Minister of Mines Martin Kabwelulu, Ministerial Decree No. 0057/CAB. MIN/MINES/01/2012, *Portant mise en oeuvre du mecanisme regional de certification de la Conference International sur la Region des Grands Lacs "CIRGL" en Republique democratique du Congo*, February 29, 2012 Kinshasa.

⁶⁵ *Ibid.*

⁶⁶ IMPACT used the following criteria when examining mine sites for the projects: legality, security, access, population and production, and certifiability of site and chain.

⁶⁷ Kabwelulu, Ministerial Decree No. 0324/CAB.MIN/MINES/01/2016.

Once the six mine sites were declared conflict-free in 2016, IMPACT supported CODEMA through the administrative steps at the provincial and national levels to apply for the ZEA's for the mine sites, which were granted later in 2016.⁶⁸



LEARNINGS ABOUT LAND PERMITS

A lack of mine sites deemed conflict-free affects the critical volume needed for economic sustainability.

Security of tenure is paramount. Artisanal miners may not declare accurate volumes so as not to

disclose a site's productivity. In part, this is because they do not want to draw the attention

of large-scale miners who could petition for a permit. This catch-22 discourages artisanal mining operators from investing in the mine site and/or business development.



PROHIBITIVE COSTS OF MINING ID CARDS

Each artisanal miner in DRC is expected to be in possession of a mining ID card (*carte de creuseur*), issued by the provincial Ministry of Mines. The card provides the miner the right to mine on an artisanal mining zone (ZEA). Each province sets its own fee for the card.

The annual cost of the mining ID card in Ituri Province was initially set at \$25 USD/year. This was considered a significant expense in an area where the average miner makes only \$588.35 USD per year.⁶⁹

During the first phase of the Just Gold project in 2012-2014, which operated in the former Orientale Province, IMPACT lobbied on behalf of miners in Mangi and the cost of ID cards was reduced to \$15 USD/year.⁷⁰ When the second phase of the project began in 2015, IMPACT successfully lobbied the newly created Ituri Province to set the cost of mining ID cards to what they had been in the former Orientale Province: \$15 USD/year.

To kick-off the introduction of mining ID cards in Mambasa and spur ASM formalization in the community, IMPACT covered the costs of cards for all miners in the project for one year. However, there was a significant delay in the issuing of cards and by the time they arrived, many of the miners had moved on to different mine sites and provinces. The miners also saw no incentive to pay for the renewal of mining ID cards, so most were not renewed.

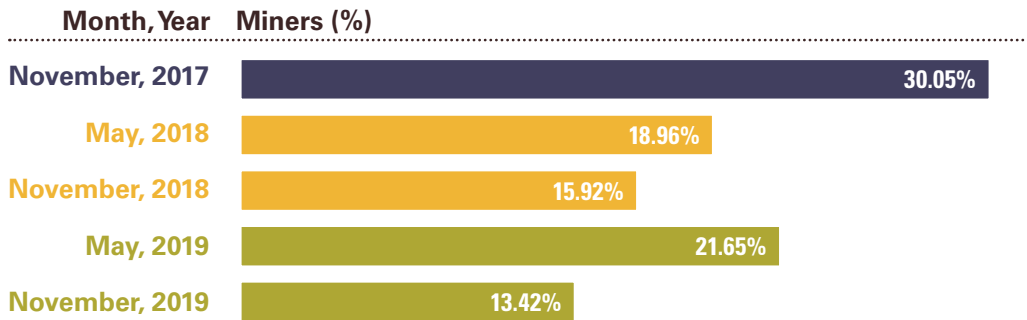
IMPACT has continued to lobby the province to further decrease the cost of the annual fee to \$5 USD, in line with other national regulations.

⁶⁸ Kabwelulu, Ministerial Decree No. 0005/CAB.MIN/MINES/01/2016, Kabwelulu, Ministerial Decree No. 0282/CAB.MIN/MINES/01/2017, Kabwelulu, Ministerial Decree No. 0225/CAB.MIN/MINES/01/2017, Kabwelulu, Ministerial Decree No. 0224/CAB.MIN/MINES/01/2017, Kabwelulu, Ministerial Decree No. 0223/CAB.MIN/MINES/01/2017, Kabwelulu, Ministerial Decree No. 0226/CAB.MIN/MINES/01/2017, Kabwelulu, Ministerial Decree No. 0227/CAB.MIN/MINES/01/2017.

⁶⁹ Aggregated from the Just Gold Traceability and Due Diligence System.

⁷⁰ In 2015, DRC went through a process known as *découpage*, which created 26 provinces out of the 11 existing ones. The former Orientale Province was split into four new provinces. Mangi is now located in Tshopo Province.

MINERS PARTICIPATING IN THE JUST GOLD PROJECT
WITH A GOVERNMENT ISSUED MINING ID CARD⁷¹



 **LEARNINGS ABOUT MINING ID CARDS**

Artisanal miners need incentives to legalize. Miners (and other supply chain actors) need to see the benefit of licensing.

Fees and access have to be adjusted to the realities of miners and can't be set arbitrarily or too high.

Licensing as part of formalization efforts must be implemented consistently. There is no incentive for a miner to sign up for an ID card if their neighbor doesn't and is still mining.

If only a handful of select sites require ID cards, miners will not adhere to these practices—irrespective of the legal requirement—as they move between sites where expectations differ.



MOVING FROM ADMINISTRATORS TO COOPERATIVES

When we embarked on the Just Gold project, IMPACT had reservations about the viability of the cooperative model in DRC's ASM sector. DRC is a signatory to the Organization for the Harmonization of Business Law in Africa (OHADA) Treaty and as part of its efforts to formalize the ASM sector, made cooperatives mandatory which was out of sync with local capacities and realities.⁷² Since the adoption of the new Mining Code in 2018, cooperatives are now a legally required part of the artisanal supply chain.⁷³ However, many of the cooperatives that have been set up exist in name only, with power resting with a handful of leaders and elites rather than the membership of miners.



COOPERATIVES ARE LEGALLY REQUIRED AS PART OF DRC'S 2018 MINING CODE

⁷¹ Aggregated from the Just Gold Traceability and Due Diligence System.

⁷² DRC joined OHADA in July 2012, which aims to harmonize business laws amongst its members <https://www.ohada.org/en>. OHADA's Uniform Act on Cooperatives was adopted by the DRC in 2014 and contains provisions defining cooperatives and their administration. See the OHADA Uniform Act on Cooperatives: http://biblio.ohada.org/pmb/opac_css/doc_num.php?explnum_id=487.

⁷³ Law No 18/001 of March 9, 2018, which modifies and completes Law No 007/2002 of July 11, 2002, *portant Code Minier*, https://mines-rdc.cd/fr/wp-content/uploads/simple-file-list/code_minier/J_O_n%C2%B0_spe%C3%ACcial_du_28_mars_2018_CODE_MINIER-DE-LA-RDC.pdf.

While cooperatives may be recognized by the law, the reality on the ground is quite different. In Ituri Province’s Mambasa Territory, each mine has a mine site administrator. This role is traditional, mostly passed down through generations in families. IMPACT’s research found that this role was set up decades ago by the former Orientale Province to collect taxes on behalf of the state when the government had difficulty collecting them. Mine site administrators control who can access the mine. To be able to mine at the site, miners will pay the administrator a fee or a percentage of their production. Mine site administrators have no legal recognition in DRC’s Mining Code, however their traditional role is widely recognized and accepted.

While the new Mining Code draws on the OHADA’s Uniform Act on Cooperatives, awareness and understanding of the Act and defining provisions applicable to cooperatives in DRC is low.

In Mambasa, there was one mining cooperative, CODEMA. The Just Gold project supported CODEMA in the interest of sustainability and to support the government’s vision of formalization. This required significant restructuring (e.g. transitioning to a membership model), capacity development for the cooperative to implement the Just Gold Traceability and Due Diligence System, and support to operate like a proper collectively-owned, inclusive, and representative enterprise.

CODEMA was an older, legally recognized cooperative, but had yet to finalize its statutes and internal regulations. The latter were completed in 2017 with IMPACT’s support.⁷⁴ CODEMA had been governed by the mine site administrators from nearby mine sites, including those that would join the Just Gold project. While power clearly rested with a small number of authority figures, because these administrators had limited or highly-localized political connections, it was an opportunity to test how to incentivize the cooperative to become more inclusive and adopt more favourable conditions for artisanal miners.

Once CODEMA had gone through the administrative and legal steps to adhere to the expectations of supply chain due diligence in alignment with the OECD Due Diligence Minerals Guidance and the ICGLR Regional Certification Mechanism, attention turned to supporting the cooperative to adopt a more inclusive governance and membership structure, as well as developing a business model. To support CODEMA, we partnered with SOCODEVI, a Canadian NGO that specializes in supporting cooperatives and ensuring they contribute to socio-economic development.⁷⁵

MINERS SEE
NO ECONOMIC
ADVANTAGE TO
BECOMING MEMBERS
OF THE COOPERATIVE,
IT IS SIMPLY ANOTHER
FEE THEY HAVE TO PAY



It quickly became clear that there was no economic advantage for the miners to become members of the cooperative. On top of the fee they are expected to pay the province for their mining ID card, there was now an additional cooperative membership fee.

This became another catch-22: miners need to sell to the cooperative to derive benefits, but they want to derive benefits before selling to the cooperative.

⁷⁴ Kabwelulu, Ministerial Decree No. 0324/CAB.MIN/MINES/01/2016.

⁷⁵ SOCODEVI, accessed November 17, 2020, <https://socodevi.org/en/>.

During the Ebola outbreak in Mambasa, IMPACT closed its offices in August 2019.⁷⁶ We provided support from a distance for the Just Gold Traceability and Due Diligence System, as well as financial management to the cooperative and its staff. During this period, CODEMA became independent, taking the initiative to continue using the Just Gold pricing model and generating a regular profit which it then re-invested.

Working in partnership with mine site administrators proved challenging, especially with the adoption of the new Mining Code, which promoted cooperatives but did not recognize mine site administrators. Mine site administrators saw the Just Gold project as a threat because its ultimate goal is to shift power to the cooperative, as decreed by the new Mining Code.

Before the new Mining Code was adopted, 58 percent of miners participating in the Just Gold project reported that they paid monthly dues to mine site administrators. That number fell sharply—to only 9 percent—after the move to a cooperative model in 2019. However, it is unclear if this trend has held over time.⁷⁷

IMPACT sought different incentives for the administrators, especially to try to encourage them to deal exclusively with the traders associated with the Just Gold project and to encourage membership in the cooperative. Despite the fact that they governed the cooperative, they wanted to be remunerated. A strategy proposed for the mine site administrators to manage the cooperative's equipment at each mine site on behalf of CODEMA was hampered by the Ebola outbreak in the community.



LEARNINGS ABOUT ADMINISTRATORS AND COOPERATIVES

The DRC mining code has imposed the cooperative structure on the ASM sector without providing a framework for transitioning from previous structures to the cooperative model. When local supply chain actors and communities view previous structures as legitimate, as was the case in Mambasa, confusion and power struggles result.

Since membership represents yet another payment they would rather avoid, miners need to understand and derive tangible benefit from joining the cooperative.



⁷⁶ Statement: IMPACT's Office Closure Due to Ebola Outbreak in Mambasa Territory, Ituri Province," *IMPACT*.

⁷⁷ Aggregated from the Just Gold Traceability and Due Diligence System, based on data gathered in May 2019 and November 2019.

THE ALLURE OF QUICK PROFIT

AN INVESTMENT FROM AN OUTSIDE CREDITOR CAN INCREASE A MINER'S YIELDS, BUT ALSO DECREASE THEIR INCOME IF THEY PAY A HIGHER PERCENTAGE IN PROFIT BACK TO THE CREDITOR



Cooperatives, like other upstream actors in the ASM gold supply chain, rely on inventory financing. They often lack savings to invest in mechanized equipment that could increase gold yields substantially.

Another deterrent to investing is the fact that a legal artisanal mine site with production potential could be claimed by a large-scale mining company (*see above: Providing Fundamental Rights—Land Permits*).

When there is investment, it is often from a creditor who takes a percentage of the gold profits. While the allure of substantially increased and quick gold yields can motivate these agreements, they often hurt the income of those at the mine site and the cooperative itself. As a result, while the investment may result in higher gold yields and more gold being sold, it costs more for the miners and the cooperative to extract—including higher percentages of the profit being paid to the creditor—resulting in an overall decrease in miner incomes.

AVERAGE INCOME PER MINER DECREASES WHILE AVERAGE GOLD TRANSACTIONS INCREASE⁷⁸

Average Income (for the past month in USD)	Month, Year	Average Transaction to the mini-MAM (grams)
\$45.85	November, 2017	1.21
\$62.50	May, 2018	0.9
\$50.90	November, 2018	1.6
	May, 2019	1.4
\$41.94	November, 2019	2.9

Cooperatives need to better understand the makings of a viable business model, then realize and defend it. Technical assistance, including equipment and training to increase gold yields, is part of the incentive for miners to sell their gold legally and ultimately, to become a member of a cooperative. Meanwhile, cooperatives need staff who can manage the equipment and deliver training to miners.

⁷⁸ Aggregated from Traceability and Due Diligence System. Due to data collection error, data for average income was omitted in May 2019.



LEARNINGS ABOUT FINANCING AGREEMENTS

Cooperatives and miners need better financial literacy so as not to fall prey to alluring quick-win arrangements with outside investors and creditors.

Cooperatives are business entities that seek investment and partnerships. This can be at odds with traceability and due diligence initiatives that play a supporting role but are not supply chain actors adding direct commercial value.

While it may help to increase yields, donor-funded equipment is not a scalable model unless the

equipment is managed as a capital asset with depreciation, a budget for replacement and maintenance to ensure its longevity, and equitable, inclusive access.

Clear roles and responsibilities for all actors need to be defined regarding equipment management, including who is responsible for covering costs of things like repair.

Equitable access to the equipment is a huge driver of gender equality in the ASM operations. If equipment access and its operation becomes largely male dominated it can severely impact women's roles and incomes, thus marginalizing women's abilities to benefit from ASM. In the case of the Just Gold project, equipment managed by women is well maintained and has longevity, whereas men miners resort to renting the equipment reserved for women after destroying their own.



HIGH TAXES AND FEES

Taxation and fees have a real and direct effect on commercial viability and sustainability both at mine sites and at export. However, it can be difficult to gain clarity on taxation and fees, especially in countries as decentralized as DRC.

Between 2017 and 2019, when accompanying the cooperative and exporter through the export process, the Just Gold project documented no fewer than 26 steps involving multiple agencies and government representatives, some of whom had to be visited multiple times over the course of two weeks. Each day the exporter waits for their shipment to be exported is money that is frozen in the gold buying circuit. There is always a risk that the exporter will lose their investment as gold prices fluctuate from one day to the next. However, the greatest cost to upstream actors is when the absence of liquidity from the exporter hinders the cooperative from purchasing newly mined gold that is constantly being produced at the mine site.

 **26 STEPS**

26 STEPS TO
COMPLETE A GOLD
EXPORT THAT COST
12 % OF ITS VOLUME

EXPORT TAX RATES FOR GOLD ASSOCIATED WITH THE JUST GOLD PROJECT⁷⁹

Month, Year	Export Value (USD)	Cost to Export (USD)	% of total value
December, 2017	\$28,916.40	\$3,500.00	12%
January, 2018	\$38,501.00	\$3,080.00	8%
March, 2018	\$75,906.00	\$6,072.00	8%
July, 2018	\$84,318.00	\$7,520.00	9%

The national Ministry of Mines applies a 3.5 percent export tax on all gold exports.⁸⁰ However, a confluence of contradictory laws, regulations, and practices have inflated the taxes and fees applicable to ASM gold production and trade in DRC. Between 2017 and 2019, at the point of export in Ituri, a maximum of 12 percent has been paid by commercial supply chain actors for the export of gold from the Just Gold project. During this same period, when gold from the Just Gold project was extracted in Ituri and exported out of South Kivu, the amount was closer to 19 percent when the cost of transport was factored (in-country or abroad to reach the international buyer).

By comparison, in neighbouring Uganda, there is a 5 percent royalty on the value of the amount mined rather than an export tax.⁸¹ In February 2017, Ugandan President Museveni made a declaration that all royalty on gold would be eliminated to enable more gold producers to bring their gold to the country's largest refinery, African Gold Refinery (AGR).⁸² Reports confirm that AGR pays zero on gold exports.⁸³

Provinces in DRC have a range of additional taxes and fees applicable at production but also related to process efficiencies. For example, there are taxes that target the use of specific equipment, such as motor pumps (for import and then for use) and crushers.⁸⁴

⁷⁹ *Ibid.*

⁸⁰ In 2019, the export tax was increased to 3.5 percent. Previously it was 2 percent. IMPACT, *The Intermediaries*, p. 14.

⁸¹ The current Mining Code in Uganda does not provide for taxes at export, but rather charges a royalty on the value of minerals mined. Mine site owners are required to file a return each month, and it is based on this that the Directorate of Geological Survey and Mines (DGSM) determines the amount of royalty to be paid. See the Uganda Mining Act, 2003: <https://ulii.org/system/files/legislation/act/2003/2003/mining%20Act%202003.pdf>.

⁸² "Museveni launches gold refiner, to abolish royalty tax," *The Independent*, February 21, 2017, <https://www.independent.co.ug/museveni-launches-gold-refinery-abolish-royalty-tax/>.

⁸³ The Sentry, *The Golden Laundromat*, p. 17-18.

⁸⁴ IMPACT, *The Intermediaries*, p. 15.

Preliminary provincial tax reform resulted in the announcement of a flat rate annual tax of \$5,000 USD per mining cooperative.⁸⁵ This was revised in 2018 to a flat annual rate of \$2,500 USD per cooperative.⁸⁶ While this is unrelated to production and/or profitability, it may encourage miners to adhere to cooperatives. It may also prove more practical and easier to implement than expecting miners to pay taxes on equipment, for example.

High costs and delays in inventory financing disincentivize legal trade. Under such circumstances, especially when awaiting financing, it is little wonder that artisanal miners may renew linkages with informal traders who always have cash on hand, even when the terms are not favourable.

Since 2018, IMPACT has carried out further research to validate our findings on this issue. We sponsored a series of workshops and dialogues about taxes, fees and practices applicable to the production and trade of artisanal gold with provincial and national government authorities, private sector, and local civil society actors. Using a participatory and inclusive approach, we developed, in collaboration with relevant government agencies, a technical briefing paper on export procedures for artisanal gold and associated costs to address the confusion around payments required at export.⁸⁷ It is hoped that this document will be finalized and published by the government soon.

LEARNINGS ABOUT TAXES AND FEES

High export taxes and fees disincentive legal trade.

Since exporters do not provide proper inventory financing and export procedures take a minimum of two weeks to complete, payment of the gold sale to the cooperative is delayed while production continues. Proper inventory financing that bridges this export gap is required.

In addition to taxation complexities at the export level, artisanal

producers are equally disadvantaged by fees and taxes applicable at the mine site level that incentivize illicit production and trade as well as practices that are potentially destructive and harmful to the environment.

To be better aligned with the spirit of the Mining Code, the tax system should be adapted to the cooperative model and the

cooperative should bear taxes and fees at the production level on behalf of its membership rather than individuals (miners and mine site administrators).

Improvements to cooperative governance are required for an effective tax system applicable to gold production to facilitate cooperatives introducing a production-based fee system applicable to its membership.



⁸⁵ Annexe X : Répertoire Fiscal 2017 – Secteur des Mines, Annexe, Province l'Ituri.

⁸⁶ Annexe X : Secteur des Mines, Province l'Ituri.

⁸⁷ IMPACT, *Fiche technique de procédure de transfert et d'exportation d'or artisanale en RDC.*

MARKET EXPECTATIONS ARE ILL-ADAPTED TO LOCAL REALITIES

The OECD Due Diligence Guidance is intended to encourage supply chain actors to work towards progressively improving their sourcing practices, but market expectations are at odds with the needs and capacity of people with limited options and who risk personal and financial security by embracing due diligence.

Over the eight years of the Just Gold project, IMPACT has witnessed firsthand the challenges experienced by DRC exporters. When we first piloted the project in Mangi from 2012 to 2014, we engaged with a local Belgian-owned exporter operating in Kisangani and an LBMA-listed refiner based in Switzerland. Discussions were fairly advanced when the exporter suddenly informed us that it was closing DRC operations because it was not commercially viable to run a legal business there.

When IMPACT was first in Mambasa, the only legal exporter in Ituri was *Muungano na Maendeleo* (MnM), operating out of Bunia. Guided by IMPACT and in the interest of accessing the international market beyond UAE, MnM made significant effort to implement the OECD Due Diligence Guidance on their gold supply chains. When IMPACT found some of the company's principal shareholders mentioned in UN Group of Exports reports as having possible links to armed groups, MnM made a difficult decision to oust them from the company, even though they were highly influential and provided the bulk of the company's capital. MnM then adopted a new internal policy to demonstrate the company's commitment to implementing the OECD Due Diligence Guidance.⁸⁸

Subsequent to these changes, an independent assessment of the Just Gold supply chain was carried out in January 2016. Conducted by a third-party commissioned by the same LBMA refiner that had initially engaged in dialogue with the aforementioned Belgian exporter, the assessment confirmed the Just Gold supply chain to be fully aligned or compliant with the OECD Due Diligence Guidance and the ICGLR's Regional Certification Mechanism up to the point of export. However, despite being the only exporter in the province, MnM could not access adequate volumes of responsible gold sources for it to remain commercially viable. With volumes from the Just Gold project too small to sustain MnM, it was also sourcing ASM gold from other sites, while keeping the gold from the Just Gold segregated. The LBMA-listed refiner decided that the risk of being affiliated with an exporter who was also sourcing non-responsible gold was too high. The LBMA-listed refiner would not consider sourcing from MnM nor provide inventory financing to increase the supply of responsible gold. This further impeded MnM's move to an exclusively responsible gold supply chain.

⁸⁸ "First Congolese Gold Exporter Takes Decisive Action to Carry out Due Diligence: Opens its Doors to International Markets," *IMPACT*.

MnM faced a liquidity crunch after DRC implemented anti-laundering laws requiring money could only be repatriated by bank transfer (rather than cash) in an amount matching the official value of the exported gold. MnM had difficulty finding a buyer who would agree to these terms and complete payments by bank transfer in the legally allotted time frame.

IMPACT had little choice but to look for another exporter out of province. Expenses increase substantially when transferring gold between provinces for export (e.g.: transportation costs and inter-provincial border taxes), as do security risks when no one supply chain actor wants to take on the transfer of gold.

In 2018, IMPACT and CODEMA began working with Fair Congo that exports out of South Kivu province and was launched by the Chambers Federation, a US-based impact investment firm.⁸⁹ It became immediately apparent that downstream market actors more readily accept an American-owned exporter to a Congolese one. While a welcome change in terms of project advancement, this highlighted the deep discrimination faced by DRC business operators who are most knowledgeable about how to run a business in DRC. It also risked depriving interested DRC exporters the opportunity to grow in capacity and ability to implement supply chain due diligence in a commercially viable way. All of this contradicts IMPACT's vision that lasting change in natural resource management fundamentally requires an investment in local capacity and in local ownership. With Fair Congo located in South Kivu, it became costly and time consuming to transport gold and repatriate funds back to the cooperative in Mambasa.



LEARNINGS ABOUT LOCAL REALITIES

Progressive improvement and risk taking by entities committed to due diligence need to be rewarded, not penalized.

In a conflict-affected environment, in-country actors assume relatively greater professional and personal risk. By only accepting perfection, the international market will kill business and work against much needed change.

While volumes are small during start-up phases of projects

until more sites are validated, exporters will continue to supplement volumes with gold sourced from sites where there is no operational traceability to ensure their business' survival.

The acumen of local business people with experience navigating the complex world of Congolese

business should be recognized and built upon. We must invest in local capacity with access to financing that can help them manage risk and be more selective sources.

When an exporter is too far away, transport costs decrease profits for the cooperative, transfer of funds can be delayed, and the distance covered increases security risks.



⁸⁹ Fair Congo, accessed November 17, 2020, <http://faircongo.com/>.

MARKET INTEREST



THE MARGIN ON
GOLD IS NOTORIOUSLY
SLIM, IN DRC IT'S
EVEN SMALLER

Investing in the ASM gold sector is risky business, whether in the DRC or anywhere else in the world. Between limited capacity and the low return on investments, profit margins on gold are notoriously slim.

In DRC, margins on gold are especially narrow given the context:

- infrastructure and services are sorely lacking or absent
- access to formal banking channels is difficult to obtain
- access to education and cooperative management capacity is severely limited
- gold is used as a financial instrument for communities to bring in much needed cash and goods
- tax rates and other payments serve as disincentives, typically penalizing small producers and traders

ASM varies widely from one context to another. While market-led solutions are currently popular, they are more untenable in more challenging contexts. This is especially true at smaller scale, at least in the near to medium term.

Not surprisingly, this sector sees few investors operating within the confines of the law, particularly in conflict-affected areas and where governance structures are weak. With such limited capacity among supply chain actors and other stakeholders, and the high costs of legal production and trade, returns on investment are hardly expected. Development donors and foundations typically bear start-up costs, though some private sectors may also donate.

If ASM operations are not commercially viable or rendered sustainable within a given (often unrealistic) timeframe, they are written off as failed pilots or failed investments. The irony is that while the market cannot be the silver bullet for responsible ASM gold trade in DRC, responsible ASM gold trade does require inventory financing and an engaged buyers' market to be commercially viable.

Whereas in typical legal commercial gold trade, inventory financing is provided by the buyer, cooperatives like CODEMA are expected to demonstrate self-financing and meet standards that cannot be realized in the near to medium term, especially without development support, on top of having to become commercially viable and sustainable within an unrealistic period of time.

Expecting artisanal miners to bear all the risks and costs of responsible production and trade is not just. This model is not viable.

A development approach must be prioritized that:

- effectively leverages meaningful access to the international market
- adapts to the needs of small producers in difficult operating conditions
- includes adequate inventory financing proportionate to the high costs of operating in these zones

Further limiting market access, the US Customs Border and Protections Agency issued a Withhold Release Order in October 2019 on all artisanal gold from eastern DRC due to allegations of forced labour,⁹⁰ marking the first time such an order had been issued against a product from an entire country, rather than a company. As a result, all ASM gold originating from eastern DRC would be stopped and seized at the US border until US Customs agents are satisfied with evidence that it was not produced involving forced labour. However valid its intent, the order only further stigmatizes DRC and discourages responsible sourcing from the country.⁹¹

While the Just Gold project garnered some support from private sector actors, it did not translate into the substantial or sustained inventory financing that the cooperative requires.

After many years of discussion with international jewellers, refiners, and technology companies about how to support responsible sourcing of artisanal gold in DRC—with Just Gold serving as a promising example—very few are willing to take the risk and actually invest. The one ethical jeweller and the one refiner who did step up should be applauded for their leadership. Ultimately, however, they are small boutique companies that cannot sustain costs of the smaller volume produced in those early start-up stages.



LEARNINGS ABOUT MARKET INTEREST

The market alone will not bring about development.

ASM in conflict-affected and high-risk contexts cannot become commercially viable until a development approach that leverages the market is prioritized and supported.

The market creates unattainable expectations or standards while offering little by way of upfront financing, incentives, or means to support the transition away from illicit trade. Upstream

actors are expected to enter the legal market while steering clear of the web of predatory actors who are motivated by maintaining their market share.



⁹⁰ “CBP Issues Detention Orders against Companies Suspected of Using Forced Labor,” U.S. *Customs and Border Protection*, October 1, 2019, <https://www.cbp.gov/newsroom/national-media-release/cbp-issues-detention-orders-against-companies-suspected-using-forced>.

⁹¹ “US Customs Checks on Artisanal Gold Stigmatize Democratic Republic of Congo,” *IMPACT*.



SECTION 4:

**RESPONSIBLE GOLD-
ADVANCING EVIDENCE-BASED
LOCAL EMPOWERMENT**

Beyond traceability and due diligence, IMPACT's Just Gold project evolved to a more comprehensive approach to responsible sourcing that is fundamentally about realizing development and security outcomes for entire producer communities to advance the UN Sustainable Development Goals (SDGs).⁹²

To understand what, if any, impact the Just Gold project and responsible sourcing is having on miners and their communities, IMPACT developed and field tested a complementary system to gather evidence of sustainable development. Results would inform our team, local partners and beneficiaries, as well as supply chain actors, as to whether the project is contributing to local development and security and whether the entire community is benefitting, not just supply chain actors.

Each gold export is assessed alongside gender-disaggregated, community-wide, socio-economic data representing select components from the following impact dimensions:

- Peace and Security
- Gender Equality
- Environmental Protection
- Participation in the Formal Economy
- Equitable Livelihoods
- Institutional Support and Governance
- Social Protection

These impact dimensions are validated using matching internationally accepted compound indexes that measure and compare across countries.⁹³ The resulting analysis provides not only a direct comparison to national averages for these index indicators, but also a holistic and accurate picture of what is working, not working, and needed changes to the project.

⁹² The SDGs were adopted by the UN Member States in 2015, as a shared way forward for peace and prosperity for the people and the planet. Learn more about the SDGs: "The 17 Goals," United Nations, accessed November 17 2020, <https://sdgs.un.org/goals>.

⁹³ See for example: Social Protection Index by the Social Progress Imperative, <https://www.socialprogress.org/>; Environmental Protection Index by Yale Center for Environmental Law and Policy, Center for International Earth Science Information Network at Columbia University's Earth Institute, in collaboration with the World Economic Forum, <https://epi.envirocenter.yale.edu/>; Women, Peace and Security Index published by the Georgetown Institute of WPS in partnership with the Peace Research Institute of Oslo, <https://gps.prio.org/Publications/Publication/?x=1288>; Gender Equality and Women's Economic Empowerment Index adapted from USAID's Women's Empowerment in Agriculture Index, <https://www.feedthefuture.gov/the-womens-empowerment-in-agriculture-index/>.

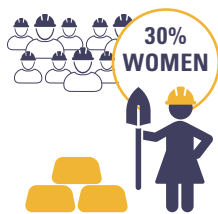
For example, IMPACT's application of the Women's Economic Empowerment index⁹⁴ demonstrated that while women's empowerment is steadily increasing as a result of the project, the Ebola outbreak in the region starting in early 2019 has affected women negatively. Data analysis provided evidence of negative impact of the Ebola epidemic in 2019 and COVID-19 pandemic in 2020 on the miners and their communities.

DATA FOR DEVELOPMENT

After decades of developing and implementing certification schemes and their accompanying standards, IMPACT is well aware of the limitations of top-down approaches that typically view upstream supply chains and communities as homogeneous. Importantly, we also understand how the implementation of these types of projects may have the unintended consequence of undermining SDGs.

Data analysis needs to drive supply chain and development interventions and to help us better understand the relationship between the two.

By developing and implementing impact monitoring that goes beyond conventional monitoring and evaluation, we can assess the realization of transformative sustainable development, or understand the potentially negative impact of our interventions and adjust as needed. This is particularly important in a conflict-affected environment where the context is often rapidly evolving and the risks of unintentionally exacerbating local conflict is ever-present. Combined with the baseline conflict analysis, our Gender Impact Assessment, and ongoing incident monitoring, IMPACT endeavours to be highly-sensitive about our collective footprint and to work toward realizing the SDGs most effectively.



30% OF MORE THAN
42 MILLION PEOPLE
WORKING IN ASM
ARE WOMEN

In times of conflict or crisis, women are most often affected first and disproportionately. While approximately 30 percent of the more than 42 million people working in ASM are women,⁹⁵ they are often negatively affected by ASM formalization projects.

As a result, gender equality and women's economic empowerment became significant focus areas within the Just Gold project and our impact monitoring.

IMPACT carried out a Gender Impact Assessment on mine sites when the project started in Mambasa in 2016. The assessment informed the activities that were developed (such as mine site technical assistance and capacity building) which were adjusted as needed based on regular impact monitoring of all activities that occurred every six months.⁹⁶

⁹⁴ The index measures women's access to resources, access to credit, their ownership over assets, and workload, among other indicators.

⁹⁵ According to data on Delve, accessed on November 17, 2020, <https://delvedatabase.org/>.

⁹⁶ This experience has also directly informed the development of IMPACT's *Toolkit: Gender Impact Assessments for Projects and Policies Related to Artisanal and Small-Scale Mining*. See: https://impacttransform.org/wp-content/uploads/2020/12/IMPACT-GIA-Toolkit_EN-2020_web.pdf.

Our goals were to:

- enable women to decide when, where, how, and with who they want to mine
- support their efforts to decide on what to do with the gold they mine or the income they derive from it
- support a safe and healthy environment

The initial Gender Impact Assessment and regular impact data collection and analysis allowed the project to develop interventions that are properly-suited to the local context and to pivot when outcomes weren't as desired. For example, the introduction of mechanized equipment for more efficient processing at mine sites proved to be detrimental to women since this equipment displaced many women miners who had otherwise occupied these lower paying roles.

By working more closely with women miners and taking into account their practical needs and strategic interests in mining, we were able to adjust the situation in their favour. To promote a fuller integration of gender, we support women to come together and formalize their work at their respective mine sites. We raise awareness among mixed mining teams to ensure women's work is visible and valued equally to that of men. Women miners who work alone came together and created a total of 12 women mining teams. These teams offer more flexibility to their members so they can meet their household obligations without being isolated. They also strengthen women's voices when they face persistent discriminatory attitudes by some mine site administrators regarding access to mine pits and mechanical mining tools.

When a gender impact analysis showed that equipment provision is very gendered and that a strategy is needed to ensure women also benefit from the provision of equipment, we procured motorized mining equipment that is adapted to the needs expressed by women miners as a measure of equity between men and women. A Memorandum of Understanding between CODEMA and REAFECOM confirms the equipment will be managed exclusively by the women members of the cooperative. They were also given tools to track the gold they produce and sell, along with training on how to use them.

Data analysis also helped us identify the need for targeted support that would result in improved development outcomes. A major finding was that women's lack of access to financing is a major hindrance to gender equality in the sector. By enabling women and men miners to start VSLAs, the AFFECOR project directly addresses this major barrier. Over 1,400 women and men across the 6 artisanal gold mine sites and nearby communities in Mambasa Territory joined AFECOR. They formed 50 VSLAs whose first financial cycle between December 2017 and November 2018 generated combined savings of over \$45,000 USD. More than 1200 loans were granted in that period, 72 percent of to women,

and 20 more VSLAs have launched independent from IMPACT's support after the first year. By the end of 2019, around 45 percent of women and 20 percent of men in the project's mining communities are still members of a VSLA.⁹⁷

LEARNINGS ABOUT DATA

Data needs to drive development interventions. Without robust data analysis, we will not address the deeper structural inequalities that underpin the conditions we seek to improve in supply chains and producer communities.

Without data, we risk doing more harm than good, especially in contexts where inequalities are deeply embedded or exaggerated, such as in conflict-affected DRC.

Upstream supply chains and producer communities are

heterogeneous. Our interventions may favour those who are in relatively privileged networks at the expense of the most marginalized.

By using a narrow supply chain lens and ignoring broader

community dynamics, we may be sanitizing a supply chain by offloading the issues onto other sectors or commodities.

Certification, audit schemes, and mine site monitoring tend to privilege the buyers' interests and are ill-equipped to provide an evidenced-based roadmap on how to address issues to improve development and security outcomes.

DATA FOR SUPPLY CHAIN ACTORS

Regulators, stakeholders, customers, and employees are increasingly demanding transparency around how and where their gold has been sourced, especially when it originates from conflict and high-risk areas. While striving to respond to these demands, many companies want to have a positive impact on the local communities from where their resources come.

Companies are increasingly expected to know and to prove that their materials are extracted and traded in ways that not only do no harm, but that contribute to improved living and working conditions. There is an urgent need to develop robust tools for full supply chain traceability and due diligence that allow companies to monitor and address legal and reputational risks posed by inaccurate or incomplete information while simultaneously meeting their legal reporting obligations.

We've taken this an important step further.

In addition to providing a system that enables companies to trace the origin and conditions of production and trade of their artisanal gold, our approach includes an impact monitoring methodology that measures progress towards the SDGs. This helps

⁹⁷ Based on a sample of 661 people in December 2019 and aggregated from IMPACT's Planning, Monitoring, and Learning System. See more about the AFECOR project: IMPACT, *AFECOR: Supporting Artisanal Gold Mining Communities to Access Savings and Credit*, September 2019, https://impacttransform.org/wp-content/uploads/2019/10/AFECOR-brochure_Sept-2019-EN_Web-2.pdf.

companies ensure their activities result in benefits for resource-rich communities, such as better health outcomes, improved social protection, gender equality, and environmental protection.

Traceability and due diligence data allow companies to identify and mitigate risks, but does not alone change lives of the most marginalized communities who are often at the start of the supply chain. The knowledge our system produces helps the private sector learn and adjust as needed, to ensure that responsible sourcing meaningfully contributes to the SDGs.



LEARNINGS ABOUT DATA FOR SUPPLY CHAIN ACTORS

By overlaying socioeconomic data with supply chain data, private sector actors have the ability to go beyond risk identification and mitigation (do no harm) to understanding their impact on SDGs (do good).

By analyzing potential negative consequences of responsible sourcing on miners and their communities, impact monitoring can provide a roadmap for course corrections.



VALUE OF DATA AS A RESOURCE

We understand and believe in the power of data.

As an organization, IMPACT needs data to understand how to implement and improve our projects. We need data to report to our stakeholders and donors. The private sector can't undertake any traceability or due diligence on its supply chain without data.

But there is currently no common, basic understanding of what data is and its power.

Data providers in contexts like DRC must be afforded the same level of respect as those in North America and Europe. Consent for use of data only begins when there is an understanding of the power it has.



CONSENT FOR USE OF DATA ONLY BEGINS WHEN THERE IS AN UNDERSTANDING OF THE POWER IT HAS

Data derived from traceability and due diligence initiatives has mostly served the needs of the downstream to assess risks in their supply chains. However, as we move beyond initial piloting of projects like Just Gold to longer term viability, the role of data ownership needs to become a key driver of empowerment.

Generally speaking, data gathering and analytics have been largely driven by the interests and needs of third parties, not by the miners themselves. Upstream supply chain actors and ASM communities rarely receive anything in return for the data they provide. With little benefit to participating in data collection, miners are not motivated to stay loyal to data collection for supply chain transparency.

The value of the data provided and local ownership of it needs to be recognized. Ideally, this information should also be used by local communities and policy makers to inform decision making, such as benchmarking to measure changes against locally defined objectives.

Data should create value for both upstream and downstream actors.

Using the lessons learned about the value of data in this project, the next generation of the Just Gold project, now active in Côte d'Ivoire, is working with key partners to close the digital divide and has started to unlock both the value of data and its potential to create new incentives for behavioural change in favour of legal and transparent supply chains, as well as development and security outcomes.



LEARNINGS ABOUT THE VALUE OF DATA

Data is owned by those who provide it. That value, when acknowledged, can be an important empowerment tool for local communities.

The value of data should serve both the downstream and the upstream.

Data can and should serve as the basis for informed and more effective decision making by policymakers, community leaders,

and activists. That data can also be potentially used to unlock new forms of incentives, nudging and rewarding behavioural change in support of more responsible supply chains.



A young man with a friendly expression stands in front of a rough, textured wall of light brown earth or rock. He is wearing a blue and black striped tank top, blue denim jeans with a tear at the knee, and red rubber boots. He holds a dark, circular metal plate with both hands in front of his chest. The overall scene suggests a mining or construction site in a developing region.

CONCLUSION:

**THE FUTURE OF
CONFLICT-FREE, TRACEABLE,
RESPONSIBLE DRC GOLD**

The future of conflict-free, traceable, responsible DRC gold is unpromising unless there are major shifts in incentives and market expectations.

That is our conclusion after eight years of the Just Gold project and the learnings outlined in this report.

The gold industry, donors, and consumers need to embrace a development and rights-based approach when supporting the world's most marginalized in this sector. There needs to be recognition of the potential of ASM in supporting development and the precariousness of people in the sector, particularly in conflict-affected contexts. There needs to be an understanding that the promise of improved conditions in the near or medium term is not enough of a motivator of progressive improvement or behavioural change for people in desperate situations. Rewards must be immediate until basic economic security is achieved.

What the Just Gold project makes clear:

ARTISANAL MINING IS FIRST AND FOREMOST ABOUT DEVELOPMENT:

Artisanal gold in DRC has an important purpose for its communities. It feeds children, pays school fees, builds homes, and promises futures. It can support the future of Congo. Market driven solutions have a role to play but traditional international aid is still desperately needed to create the conditions that may eventually enable the market to play its role.

RESPONSIBLE SOURCING DOESN'T NECESSARILY LEAD TO DEVELOPMENT:

It may have good intentions, but sourcing may benefit only a few and perpetuate inequality and power imbalances. In high-risk areas, responsible sourcing must bolster, not lead, development efforts which themselves must be carried out using a conflict-sensitive approach.

DATA NEEDS TO DRIVE DEVELOPMENT INTERVENTIONS AND SERVE PRODUCER COUNTRIES AND COMMUNITIES:

Robust data analysis, including how mining affects gender and conflict, is needed to address deeper structural inequalities that underpin the conditions that we seek to improve in supply chains and in producer communities. Without a granular and comprehensive view of community dynamics, those who enjoy relatively more power in the community are likely to benefit from mining, possibly at the expense of others, notably women and marginalized groups. Data also helps ensure we are contributing to stability and not unintentionally exaggerating local tensions.

WE NEED ACTION TO ADDRESS DRIVERS OF ILLICIT TRADE:

Territorial, provincial, and national governments have to step up to reform the fiscal regime and eliminate the excessive fees and charges that disincentive legal trade. Equally urgently is the need to end impunity for the worst offenders of illegal cross-border trade from DRC to international gold trading centres like Dubai. Until then, illicit gold from high-risk areas will continue to seep into legitimate supply chains.

REWARD THOSE THAT MEANINGFULLY ENGAGE:

Miners, traders, and exporters upstream who operate legally need to be supported by the international community. Similarly, the downstream private sector actors who make a meaningful effort to provide consistent inventory financing and choose artisanal mining sources need to be rewarded, including those who actively seek to go beyond “do no harm” and contribute to lasting development and security outcomes.

WE CAN'T DEMAND PERFECTION BUT NEED TO SUPPORT PROGRESSIVE IMPROVEMENT:

For artisanal mining to be truly supported worldwide, miners in countries like DRC need support. They need to be incentivized to trade legally and not disincentivized when standards are unattainable in their particular community context. Support should target those who need it, otherwise our efforts will not be scalable or have an impact. More importantly, we need to support the lowering of basic operating costs of legal ASM gold production and trade which tend to be highest in conflict-affected areas where due diligence is needed most.

SUPPORT FOR TRANSITION AWAY FROM A GOLD ECONOMY:

Supporting access to financing would lessen actors' and communities' dependence on gold for everyday transactional use for cash and on predatory lenders and their respective networks.

SCALING REQUIRES ADEQUATE, CONSISTENT, AND TIMELY FINANCING:

Financing—being paid for gold immediately—is critical to the loyalty of all supply chain actors to produce and trade legally. Informal and illegal traders position themselves to step in as soon as there is a break in financing or when it fails to keep up with volumes while deceiving miners into thinking they consistently offer the better price.

AN INITIAL FOCUS ON ARTISANAL MINING PRODUCTION STATISTICS IS MISGUIDED:


Accurately capturing artisanal gold production statistics is nearly impossible. Attempts to do so are evaded and sow distrust. Greater levels of trust and collaboration are generated by not pressuring miners to declare production data. Once a project establishes the relationship between sales data and production (through spot checks at pit level), estimating production based on total sales provides an almost as accurate estimate without the unnecessary static of forced inaccuracy.

A SHIFT TO COOPERATIVE MINING STRUCTURES AND THE ENHANCED CAPACITY AND GOVERNANCE THEY REQUIRE CANNOT HAPPEN OVERNIGHT OR WITHOUT SIGNIFICANT RESISTANCE:

A cooperative that runs in parallel to or is overlaid onto a deeply entrenched customary model—one that may be considered legitimate by local communities, even if highly exploitative—cannot effectively operate in the interests of all of its members. Cooperative membership tends to be viewed as yet another obligation or payment to be avoided. While security of tenure and the validation of more mine sites are critical to achieving volumes for sustainability and scale, the challenges for most cooperatives in DRC are linked to the issues of internal governance and managerial competence. Also, the fiscal regime is not in step with the Mining Code and its insistence on cooperatives: production level taxes and fees are borne by individuals and not cooperatives.

INCLUDE ALL LOCAL SUPPLY CHAIN ACTORS:

Incentives need to be tailored to all supply chain actors—not only miners but specifically traders and exporters—for sustainability and scalability. Let's move beyond closed pipe supply chain solutions to include more traders and exporters. Local traders operating closest to the mining communities often play an important role by using gold to bring needed goods and cash into isolated communities. We need to explore how to improve upon existing business acumen and structures that are valued by local communities and adapted to the context.



THE FUTURE OF
TRACEABLE AND
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Photo: Sven Torfinn/IMPACT

Photos of miners and traders participating in the Just Gold project in Democratic Republic of Congo's Ituri Province, Mambasa Territory in 2017.

Cover: Abdallah, a trader based at one of the project's mine site trading outposts, holds legal, traceable, and conflict-free artisanal gold sold through the Just Gold project.

Page 8: Abdallah poses for a photo at one of the Just Gold project's trading outposts.

Page 17: Michael, a trader in the Just Gold project, demonstrates the traditional scale used to weigh gold.

Page 30: Janot, a miner participating in the Just Gold project, washes ore at a mine site.

Page 52: Josephine, a miner participating in the Just Gold project, poses for a photo while washing ore.

Page 59: Mwimbo a miner participating in the Just Gold project, poses for a photo after finding ore with gold.

The first pilot of the Just Gold project was launched in 2012 with support from the Public Private Alliance to test an incentive-based model for artisanal gold traceability in eastern Democratic Republic of Congo (DRC). The two-year pilot and its lessons developed into the Just Gold project. The Just Gold project launched in 2015 funded by Global Affairs Canada. Additional funding was provided by USAID through their Capacity Building for Responsible Minerals Trade (CBRMT) project and by the International Organization for Migration. Funding for the project also came from Humanity United.

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The logo for the Government of Canada, featuring the word "Canada" in a serif font with a small Canadian flag icon above the letter "a".



IMPACT

Transforming natural resource management
Empowering communities

600-331 Cooper, Ottawa, Ontario K2P 0G5 Canada | Tel +1-613-237-6768
www.impacttransform.org

