

THE Traders Who Threaten the
Democratic Republic of Congo's
Efforts for Conflict-Free Gold
INTERMEDIARIES.



The Intermediaries

Traders Who Threaten the Democratic Republic of Congo's Efforts for Conflict-Free Gold

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Canada

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ACRONYMS

AGR	African Gold Refinery
BGR	<i>Bundesanstalt für Geowissenschaften und Rohstoffe</i> (Federal Institute for Geosciences and Natural Resources)
CEEC	<i>Centre d'Études et d'Expertise en Certification</i> (Center of Expertise, Evaluation and Certification)
DMCC	Dubai Multi Commodities Centre
DRC	Democratic Republic of Congo
ICGLR	International Conference on the Great Lakes Region
IPIS	International Peace Information Service
LBMA	London Bullion Market Association
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
RCM	Regional Certification Mechanism
SAEMAPE	<i>Service d'Assistance et d'Encadrement des Mines Artisanales et de Petite Echelle</i> (Service for Assistance and Management of Artisanal and Small-Scale Mining)
UAE	United Arab Emirates
UN	United Nations
UN Group of Experts	UN Group of Experts on the Democratic Republic of Congo

INTRODUCTION

The first conflict-free, legal, and traceable artisanal gold to reach the international market from the Democratic Republic of Congo (DRC) was announced in 2017.

That milestone was reached through IMPACT's ground-breaking Just Gold project.¹ It marked a turning point in national, regional, and global efforts to develop and implement a traceability and due diligence system for one of the DRC's most abundant and conflict-prone natural resources.

For increasingly conscientious international markets to be interested in sourcing artisanal gold from the DRC, the sector must channel its supply through the legal market and provide evidence of due diligence.

However, efforts to move responsible artisanal gold production through legal channels are in direct competition with the illicit gold trade. Even under a brighter spotlight, the illicit gold trade in the DRC continues virtually unabated.

This report examines the illicit gold trade in the DRC and some of the drivers preventing traceability and due diligence systems from being sustainable and scalable. The report focuses on logistical and financial mechanisms, as well as patterns of the illicit gold trade in the eastern DRC provinces of Ituri, North Kivu, and South Kivu. It also explores the conditions that enable illicit trade to continue.

The United Nations Group of Experts on the DRC (UN Group of Experts) has said that most of the country's gold is being smuggled out. The Group estimates that in 2013, as much as 98 percent of the country's gold left the country undeclared.² Reports have also extensively documented how DRC-based armed groups and criminal networks profit from the mineral.³



AS MUCH AS
98% OF DRC'S
ARTISANAL GOLD
IS SMUGGLED OUT
OF THE COUNTRY.

The international and regional community have stepped up to support efforts to sever links between gold, human rights violations, and conflict. In 2010, through an initiative of the International Conference on the Great Lakes Region (ICGLR), Heads of Member States—including the DRC's President Kabila, Rwanda's President Kagame, and Uganda's President Museveni—approved six tools to end the trade of conflict minerals within and between their respective borders.⁴

¹ "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/>.

² Group of Experts on the Democratic Republic of the Congo, *Final Report S/2017/672*, August 10, 2017, p. 23, para. 106, http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2017_672.pdf; 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.

³ Global Witness, *River of Gold: How the State Lost Out in an Eastern Congo Gold Boom, While Armed Groups, A Foreign Mining Company and Provincial Authorities Pocketed Millions*, July 2016, https://www.globalwitness.org/documents/18506/River_of_gold_lr.pdf; The Enough Project, *Striking Gold: How M23 and its Allies are Infiltrating Congo's Gold Trade*, October 2013, <https://enoughproject.org/reports/striking-gold-how-m23-and-its-allies-are-infiltrating-congos-gold-trade>.

⁴ In 2010, all 11 ICGLR Heads of Member States signed the Lusaka Declaration and the ICGLR's Regional Initiative against the Illegal Exploitation of Natural Resources, which provided a framework to implement the six tools. The six tools are the Regional Certification Mechanism, Harmonization of National Legislation, a Regional Database on Mineral Flows, Formalization of Artisanal Mining, EITI Peer Learning Mechanism, and a Whistleblowing Mechanism. Learn more on the ICGLR website: <http://www.icglr.org/index.php/en/rinr>.

A main element of the initiative is certifying conflict-prone minerals—including gold—produced or transiting through ICGLR countries as conflict-free. To date, Rwanda, Uganda, Burundi, Tanzania, and the DRC have adopted the Regional Certification Mechanism (RCM) into national law. They have also integrated into their respective legislation the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Due Diligence Guidance), which requires the private sector to identify, mitigate, and report any risks, like human rights violations or corruption, in their supply chain.

DRC LAW REQUIRES
PRIVATE SECTOR
ACTORS TO KNOW THE
ORIGIN OF THE GOLD
THEY ARE BUYING.



The OECD Due Diligence Guidance calls on private sector actors to know the origin of the gold they are buying—all the way down to the mine site, even in high-risk contexts like the DRC. Not only should they know where the gold comes from, but the conditions under which that gold was produced and traded. This requires private sector actors to implement supply chain due diligence, including traceability in conflict-affected and high-risk environments, to

know whether or not they are contributing to human rights violations, gender-based violence, corruption, or money laundering. According to the OECD Due Diligence Guidance, companies should avoid disengaging with supply chain actors except in cases of serious human rights abuses or support to non-state armed groups.

In reality however, progress to ensure traceable, responsible, and legal artisanal gold supply chains in the DRC's artisanal gold sector is proving slow.

The flow of conflict-free artisanal gold from the DRC into the international legal market remains limited.⁵ While IMPACT's Just Gold project and other artisanal gold traceability systems in the DRC have proven that a chain of custody and due diligence are possible, they have not compelled actors operating outside the project areas to sell legally.

Economic incentives to operate through illicit channels remain too great.

This report examines two main types of illicit gold trade in DRC:

- Well-known traders and exporters who smuggle large volumes over the border without fear of significant consequence
- Informal traders, their role in the local gold economy, and link to pre-financing networks

Through a number of case studies, the report examines the financial and transportation networks of traders and exporters in the DRC and neighbouring countries to understand how they move money and gold.

Some traders and exporters in the DRC are pocketing massive profits from gold smuggling. It's time to bring these intermediaries out of the shadows they operate in.

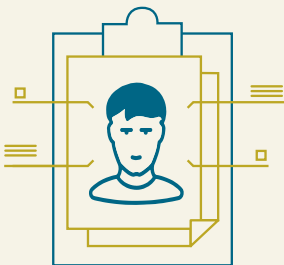
⁵ See more about the traceability and due diligence schemes in DRC: IMPACT, *Just Gold: Bringing Responsible and Conflict-Free Gold from Artisanal Mines to International Markets*, April 2018, https://impacttransform.org/wp-content/uploads/2018/04/IMPACT_Just-Gold_April-2018-EN-web.pdf; Martin Neumann et al, *Traceability in Artisanal Gold Supply Chains in the Democratic Republic of Congo: Lessons Learned from the Kampene Gold Pilot Project*, Federal Institute for Geosciences and Natural Resources (BGR), March 2019, https://www.bgr.bund.de/DE/Themen/Min_rohstoffe/Downloads/studie_traceability_in_artisanal_gold_DR_Congo_2019.pdf?__blob=publicationFile&v=10; USAID/Tetra Tech, *Advancing Responsible Artisanal Gold in the DRC: The Bwenge Buchiza Pilot Project*, <https://www.resolve.ngo/docs/march-2018-bwenge-buchiza-fact-sheet.pdf>.

KEY FINDINGS IN FOCUS

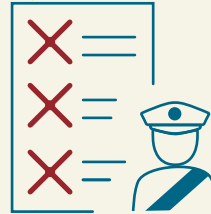
Illicit gold trade in the DRC appears to be booming with only a **SMALL FRACTION** of gold being captured through **LEGAL CHANNELS**.



Some traders and exporters succeed in staying under the radar of DRC authorities declaring only a **SMALL PERCENTAGE** while **POCKETING** massive **PROFITS**.

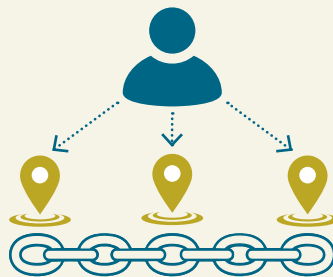


Gold smuggling networks are comprised of the **SAME INDIVIDUALS** and entities **NAMED YEAR AFTER YEAR** in reports.



Customs authorities in Rwanda and Uganda are either **NOT COMPLETING DUE DILIGENCE** on gold imports and exports, or are ignoring suspect documentation.

Traders and exporters are establishing and controlling commercial entities along the entire supply chain, maximizing profits and **RENDERING DUE DILIGENCE INEFFECTIVE**.



The economic **INCENTIVE** for traders and exporters to operate through illicit channels **REMAINS SIGNIFICANT**.



KEY FINDINGS

This report makes several key findings.



Illicit gold trade in the DRC appears to be booming. Despite efforts to introduce traceability and due diligence for the artisanal gold supply chain, **only a small fraction of gold is actually being captured through legal channels.**



Some traders and exporters succeed in staying under the radar of DRC authorities by undervaluing their gold purchases and exports, **declaring only a small percentage while pocketing massive profits**—a percentage of which should have been paid in taxes.



Gold smuggling networks in the eastern DRC are highly iterative. They are comprised of the **same individuals and entities named year after year in reports** from the UN Group of Experts and other organizations. While they may shift their operations to different jurisdictions and change their routes, known smugglers appear to operate with impunity and without fear of consequences.



Neighbouring countries are **failing in their customs and due diligence obligations** and their commitment to address the illegal exploitation of natural resources as agreed to in the Lusaka Declaration. Customs authorities in Rwanda and Uganda are either not completing due diligence on gold imports and exports or are ignoring suspect documentation.



Traders and exporters are establishing commercial entities along the entire supply chain, including in the producing country and at points of purchase, in transit, and trading hubs. By ensuring ownership or control over several entities throughout the supply chain, these actors maximize profits and **render due diligence ineffective**. When actors also own entities in the producing country, they may be less likely to undertake due diligence or may turn a blind eye to risks in the upstream supply chain.



Incentive to work outside of the legal economy is too great. While some traders and exporters see the benefit of working with traceability and due diligence schemes, those operating in the shadows seem to have no incentive to do so.



EFFORTS TO MOVE
ARTISANAL GOLD
PRODUCTION THROUGH
LEGAL CHANNELS ARE IN
DIRECT COMPETITION WITH
THE ILLICIT GOLD TRADE



RECOMMENDATIONS

TO THE GOVERNMENT OF THE DRC:

- Investigate those who have been cited in multiple reports and bring to account those who, until now, have appeared to operate with impunity
- Revoke or deny the renewal of any trading or exporting licenses of individuals and companies tied to the illicit trade of gold
- Publish online and share information about de-listed individuals and companies involved in the illicit trade of gold with counterparts in other countries, agencies, and industry actors
- Ensure any new applications for mineral trading or export licenses by individuals and companies include past history and beneficial ownership information, demonstrating links with actors known to be part of the illicit trade
- Review, in collaboration with relevant provincial authorities all the taxes and fees required for the trade and export of artisanal gold, ensuring taxes are harmonized across provincial and national borders
- Streamline the steps for gold export, ensuring they are clear and not overly arduous
- Ensure all exports of gold are subjected to proper export procedures and accompanied by proper export permits, custom clearance documents, tax receipts, and ICGLR certificates
- Support collaboration of state services at border and customs points to increase information sharing and decrease smuggling
- Accelerate the process of mine site validations at artisanal gold mine sites across the country, ensuring the process is sustainable in terms of cost and frequency of visits to each site
- Streamline the current process of mine site validations, using trained mine site inspectors in locations where risks are low and joint validation missions in high-risk areas
- Support the artisanal mining agency *Service d'Assistance et d'Encadrement des Mines Artisanales et de Petite Echelle* (SAEMAPE) to fulfill its mandate, including by providing improved training for mine site agents
- Strictly enforce laws on money laundering and foreign exchange, in alignment with standards provided by the Financial Action Task Force
- Ensure any application for a gold refinery in the DRC follows national legislation, including the full implementation of the OECD Due Diligence Guidance

TO THE GOVERNMENTS OF RWANDA AND UGANDA:

- Direct enforcement agencies to take immediate steps to investigate and take action against those engaged in the illicit trade of gold from the DRC
- Foster regional cooperation between relevant law enforcement agencies to identify the trade discrepancies and customs practices that facilitate smuggling
- Enhance regulatory controls on any gold that is declared as DRC gold transiting through the country to ensure verification of the buyers and exporter, authentication of the ICGLR certificates, export permits, custom clearance documents, and DRC tax receipts
- Fulfill obligations as members of the ICGLR and ensure all supply chain actors, including refiners are implementing the OECD Due Diligence Guidance, including:
 - » Ensuring all private sector actors are importing and exporting gold according to the regulatory procedures outlined by each country, with all taxes paid, and with an authentic ICGLR certificate;
 - » Ensuring all supply chain actors, including refiners are publicly reporting on their supply chain risks, such as human rights violations, corruption, and money laundering, and measures taken to mitigate those risks.

TO THE GOLD INDUSTRY (COMPANIES, REFINERS, JEWELLERS, INDUSTRY INITIATIVES, PRIVATE SECTOR ACTORS):

- Implement all five steps of the OECD Due Diligence Guidance in full, including publicly reporting on your supply chain due diligence efforts each year
- Know the origin of your gold, all the way down to the mine site, identifying, and reporting on any red flags in conflict-affected and high-risk areas
- Remain willing to purchase gold from traceability and due diligence schemes in DRC so that these schemes have the opportunity to overtake illicit trade
- Insist on evidence that artisanal gold from the DRC has been purchased legally, responsibly, and has been tracked through the supply chain
- Support traceability and due diligence schemes in the DRC to test models that incentivize traders and exporters to want to sell legally in order to scale responsible sourcing efforts
- Step up to provide adequate and consistent inventory financing, either individually or as part of a larger group, to encourage legal, responsible, and traceable sales of artisanal gold from DRC



METHODOLOGY

This report is based on the findings of field research conducted by IMPACT in the DRC and the Great Lakes region between 2016-2018, as well as analysis of previous research and available data on the gold trade in the region.

The report relies on evidence gained from interviews and on-site observations in the DRC provinces of Ituri, North Kivu, and South Kivu. Researchers interviewed artisanal gold miners, traders, exporters, smugglers, law enforcement officials, government officials, members of civil society, and private sector representatives, such as refiners.

Research is supplemented by experiential knowledge gained by IMPACT while developing and implementing the Just Gold project in Ituri Province.

This report builds on previous IMPACT research on the illicit gold trade in the DRC and the Great Lakes region, which examined cross-border smuggling and the role of trading hubs like the United Arab Emirates (UAE) and India as drivers of illicit trade.

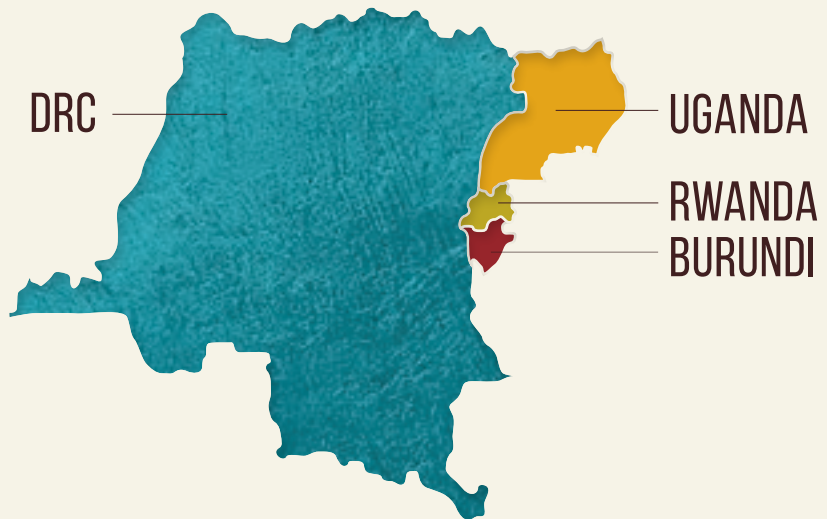
This report is divided into five sections. The first examines the scope of illicit trade in eastern DRC and incentives for traders and exporters to perpetuate it. The second examines smuggling in South Kivu, including examples of illicit trade networks. The third provides an overview of the most popular route for gold from South Kivu—Rwanda—and looks at networks in the region. The fourth highlights illicit trade in Ituri and North Kivu. The fifth highlights Uganda as one of the largest transit hubs for DRC gold today.



GOLD'S JOURNEY: STEPS AND ACTORS

THE MINE

Artisanal gold is mined in the DRC in open pits, tunnels, or riverbeds. Women and men play equally important but different roles at mine sites, including digging, crushing, washing, and transporting. Mine sites often have more than one active pit where anywhere from a few dozen to a few thousand people work at a time. Despite the appearance of chaos, mine sites are organized efficiently according to locally-defined structures, some customary. Miners can work by themselves or in small teams, sharing the profits.



THE TRADE

After it's mined, gold is sold by miners to a trader. According to DRC law, there are two types of traders, known as *négociants*: those based at mine sites and smaller towns and those in the provincial capitals and larger cities.

Once a trader aggregates a sufficient amount of gold, they transport it to a city in eastern DRC that has good transportation links leading outside of the country. The trader sells the gold to an exporter, known as a *comptoir*. According to DRC law, only a licensed exporter is allowed to sell gold to an international buyer.

THE EXPORT

The exporter most often buys from multiple traders and waits until they have aggregated enough gold to make it profitable to export. This calculation includes taxes and fees to pay on their shipment, time required for official (often onerous) export procedures, and the cost of transportation; gold is often carried by hand by a representative across borders.

The exporter transports the gold to a neighbouring country like Uganda, Rwanda, or Burundi where it is aggregated. The gold can be transported onward to an international destination

where it is refined. Alternatively, it can be purchased by a locally-based refiner, as refiners with significant capacity are opening in the Great Lakes region. The gold, whether refined or *doré*, then makes its way to a trading centre where it enters the international legal supply chain.

THE PAYMENT

In each step, while gold moves downstream, money is transported upstream. Gold operates on pre-financing terms. Financers provide cash liquidity to the exporter who in turn provides it to the trader.



SECTION 1:

**MOVING BEYOND
CONFLICT GOLD
IN THE DRC**

SCOPE OF ILLICIT TRADE

To comprehend the significance of illicit gold networks in the DRC, we must first understand the volume of gold being smuggled out of the country. It is difficult to provide more than an approximation of how much gold gets smuggled out of eastern DRC because most of it is undeclared from its very first steps into the supply chain at the mine site.

The sheer size and cash value of production and illicit flows demonstrate how threatening these networks are to the legal gold trade.

A recent analysis done by Germany’s Federal Institute for Geosciences and Natural Resources (BGR) conservatively estimates the DRC’s artisanal gold production at 15-22 tons per year, with an approximate annual value of \$543-812 million USD.⁶ Another earlier report pegs the figure at around 10-15 tons.⁷

While the volume of the DRC’s gold production isn’t clear, two things can be reasonably concluded:

The majority of gold leaving the country is smuggled out and not declared to authorities. The UN Group of Experts estimates as much as 98 percent of gold was smuggled out of the country in 2013.⁸

Only a fraction of gold production is officially declared and legally exported. The DRC’s total exports of artisanal gold over the course of 2015, from all the provinces throughout the country, officially amounted to 253.98 kg⁹ and have steadily decreased since. In 2016, the entire country only exported 244.42 kg of gold. In 2017, it exported 230.29 kg, and in 2018, only 56.18 kg.¹⁰ While traceability schemes



ARTISANAL GOLD PRODUCTION IN DRC IS ESTIMATED TO BE TO 15-22 TONS PER YEAR.



IN 2016, DRC EXPORTED 244.42 KG OF ARTISANAL GOLD—IN 2018 ONLY 56.18 KG.

⁶ Martin Neumann et al, *Traceability in Artisanal Gold Supply Chains in the Democratic Republic of Congo: Lessons Learned from the Kampene Gold Pilot Project*, BGR, March 2019, p. 2.

⁷ The Enough Project, *Breaking the Cycle: Delinking Armed Actors from the Gold Supply Chain in Congo and the Great Lakes Region Through Fiscal Reform and Anti-Money Laundering (AML)*, May 2017, p. 4, https://enoughproject.org/wp-content/uploads/2017/05/BreakingTheCycle_April2017_Enough_3.pdf.

⁸ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2014/42*, p. 37, para. 171.

⁹ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2016/466*, May 23, 2016, p. 32, para. 156, http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2016_466.pdf.

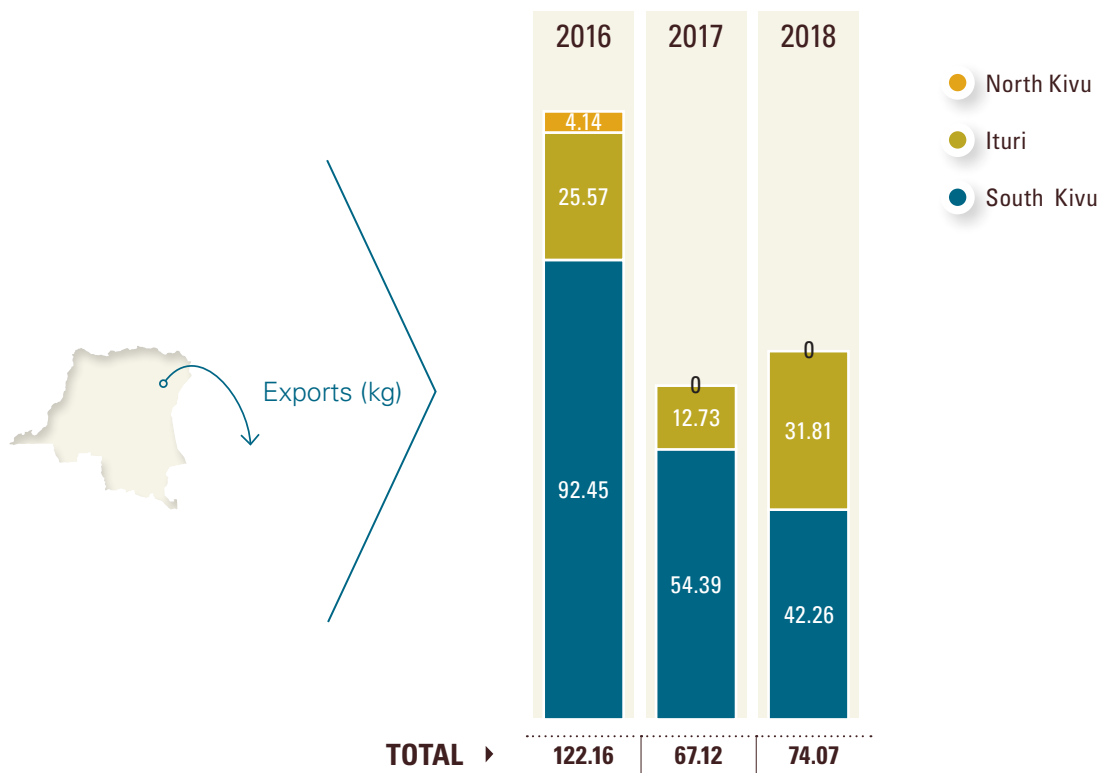
¹⁰ “Statistique Minières Exercice 2016,” *Ministère des Mines*, February 2017, http://www.mines-rdc.cd/fr/wp-content/uploads/documents/Statistiques/2016/STATISTIQUES_MINIERES_DES_PRODUIITS_MINIERS_MARCHANTS_EXERCICE_2016.pdf?x57237; “Bulletin statistiques minières Exercice 2017,” *Ministère des Mines*, 2017, http://www.mines-rdc.cd/fr/wp-content/uploads/documents/Statistiques/2017/statistique_finale_2017.pdf?x57237; “Statistique Minières Exercice 2018,” *Ministère de Mines*, 2018, https://www.mines-rdc.cd/fr/wp-content/uploads/documents/Statistiques/2018/STATISTIQUES_MINIERES_EXERCICE%20_2018.pdf?x57237.

were in operation during this period of time, they existed mainly as pilot projects to prove that traceability and due diligence of artisanal gold from a conflict-affected and high-risk area is possible—not intending to have a significant impact on declared legal volumes.

In eastern DRC provinces of Ituri, North Kivu, and South Kivu, exporters declared a combined total of 122.16 kg in 2016, dropping to 67.12 kg the following year in 2017 and increasing slightly to 74.07 kg in 2018.¹¹

Highlighting the weaknesses in collecting and aggregating the DRC’s mining statistics, the three eastern provinces reported a combined total of 74.07 kg for 2018. This exceeds the 56.18 kg recorded by the Ministry of Mines for the entire country for the same period. The Ministry did not have up-to-date figures for those provinces for 2018, while the CEEC did not have combined national figures for that year.

DECLARED GOLD EXPORTS FROM EASTERN DEMOCRATIC REPUBLIC OF CONGO¹²



Statistical accuracy notwithstanding, the discrepancy between what the DRC’s gold mines are estimated to be producing and what is actually being declared to authorities is striking.

¹¹ Figures for 2018 were not available from the Ministry of Mines and were from documents from CEEC in Kinshasa. “Statistique Minières Exercise 2016,” *Ministère des Mines*; “Bulletin statistiques minières Exercise 2017,” *Ministère des Mines*; “Or Production Artisanale 2018,” *CEEC Kinshasa*.

¹² *Ibid.*

If BGR’s conservative estimate of 15 tons of gold produced in DRC annually—worth \$543 million USD—is declared at export in the DRC and the official export tax of 2 percent is paid, the government would capture approximately \$10.86 million USD in tax revenue each year. Alternatively, the 56.18 kg of gold officially exported per national Ministry of Mines figures in 2018—valued at \$2.2 million USD¹³—would only garner \$44,797 USD in tax revenue.

DIFFERENCE BETWEEN ESTIMATED AND DECLARED GOLD PRODUCTION¹⁴

	ESTIMATED	DECLARED IN 2018
Production (kg)	15,240.7	56.18
Value (USD)	\$543 million	\$2.2 million
2% Official Export Tax (USD)	\$10.86 million	\$44,797

HOW EFFORTS TO END ILLICIT TRADE ARE FALLING SHORT

Gold’s role in financing security forces and armed groups in eastern DRC is well documented. As a high-value alternative to paper currency, gold is an ideal target for armed groups and criminal networks. Since they operate informally, artisanal gold miners remain vulnerable to violence and exploitation.

The UN Group of Experts consistently cites artisanal gold and its illicit trade through DRC’s neighbours as providing significant and continual financial benefit to armed groups and organized criminal networks through their exaction of illegal taxes along the supply chain.¹⁵

According to the International Peace Information Service (IPIS), almost one third of artisanal mines surveyed between 2016-2018 in Ituri, North Kivu, and South Kivu

¹³ The declared value as per “Statistique Minières Exercice 2018,” *Ministere de Mines*.
¹⁴ Based on Martin Neumann et al, *Traceability in Artisanal Gold Supply Chains in the Democratic Republic of Congo: Lessons Learned from the Kampene Gold Pilot Project*, BGR, March 2019, p. 2, and “Statistique Minières Exercice 2018,” *Ministere de Mines*.
¹⁵ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2016/466*, p. 27-29, para. 127-136; Group of Experts on the Democratic Republic of the Congo, *Final Report S/2017/672*, p. 22, para. 101-105.

Provinces experienced “armed interference,” including from military forces. Importantly, that report found that while conflict does not necessarily occur directly at the mine site, armed actors including some factions of the DRC’s security forces, attempt to exert control over artisanal mining supply chains, including transportation routes or by demanding taxes.¹⁶

The DRC government took action by adopting the ICGLR’s RCM into law.¹⁷ In addition, the DRC government requires private sector actors to implement the OECD Due Diligence Guidance, which includes identifying, mitigating, and publicly reporting on risks in their supply chain like human rights violations, bribery, and money laundering.¹⁸

As part of the requirements under the RCM, mine sites across the country are inspected, and if criteria are met, validated as conflict-free by a multi-stakeholder team. Only gold sourced from mine sites deemed conflict-free is eligible for export. Exporters must demonstrate proof of origin to authorities, providing assurance that the gold has been responsibly produced and traded.

ONLY 122 ARTISANAL
GOLD MINE SITES OUT
OF THE COUNTRY’S
2,763 HAVE BEEN
INSPECTED BY MINE
SITE VALIDATION TEAMS.



However, traders and exporters who want to work within the law face numerous challenges.

Mine site validation in the DRC is a slow process. As of 2019, only 122 artisanal gold mine sites out of the country’s 2,763 have been inspected by teams. Of those, only 106 have been validated green and declared conflict-free.¹⁹

The DRC’s onerous fiscal regime is a key driving force in the undervaluing and under-declaration of gold exports. The official 2 percent tax on all gold exports issued by the national Ministry of Mines²⁰ is separate from various local and provincial taxes and fees, which vary from province to province. If gold is transported across provincial borders to reach an export point, it is subject to further taxes and fees.

For example, IMPACT’s Just Gold project documented how 238 grams exported legally from Ituri Province in 2017 required 26 separate taxes and fees at point of export, totaling 15 percent of the gold’s \$8,450 USD value.²¹ These 26 fees paid at export do not include payments required earlier in the supply chain.

¹⁶ Ken Matthysen et al., *Mapping artisanal mining areas and mineral supply chains in Eastern DR Congo: Impact of armed interference & responsible sourcing*, International Peace Information Service (IPIS), April 2019, p. 7, <http://ipisresearch.be/publication/mapping-artisanal-mining-areas-mineral-supply-chains-eastern-drc/>.

¹⁷ *Ministère des Mines République Democratique du Congo, Arrêté ministériel No. 0057/ Cab.Min/ Mines/01/2012*, February 29, 2012, http://www.mines-rdc.cd/fr/wp-content/uploads/documents/Arrete_0057_2012.pdf.

¹⁸ The OECD Due Diligence Guidance provides a framework for companies to source responsibly. See the full guidance online: <https://www.oecd.org/corporate/mne/mining.htm>.

¹⁹ International Peace Information Service (IPIS), *Carte de l’exploitation minière artisanale dans l’Est de la RD Congo*, accessed November 12, 2019, <https://www.ipisresearch.be/mapping/webmapping/drcongo/v6/>.

²⁰ The 2 percent tax consists of three different fees for different departments: 1% to Administration of Mines, 0.5% to CEEC, and 0.5% to DGDA. *Trop de taxes pour peu de recettes : rapport d’enquête sur les taxes perçues du secteur minier artisanal de l’or en Ituri en 2015*, Cadre de Concertation de la société civile de l’Ituri sur les ressources naturelles, February 2017, p. 42.

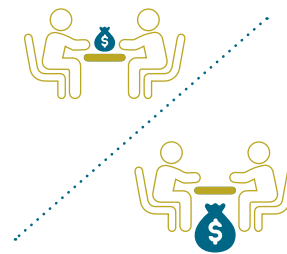
²¹ Geoffrey York, “Pioneering Canadian system ensures conflict-free gold,” *The Globe and Mail*, June 25, 2017, <https://www.theglobeandmail.com/news/world/pioneering-canadian-ethical-trade-system-ensures-proof-of-conflict-freegold/article35459871/>.

Reports document the various official and unofficial taxes and fees charged to traders in different parts of the country.²² One 2017 report by local civil society groups in Ituri mapped all the different known taxes and fees in the province for miners, traders, and exporters and found a total of 46 different taxes for actors in Ituri’s artisanal gold supply chain—either annual fees, percentages of gold production, or its value. The report called the taxes an obstacle to “commercializing” responsible artisanal gold supply chains, leading to widespread illicit trade.²³

To avoid the high taxes, traders and exporters declare only a bare minimum of their gold purchases while smuggling out the rest.

Since illicit traders evade legal taxes and fees, they can offer better prices to miners than the legal market does. One study reports illicit traders offering as much as a 2 percent premium on price, effectively shutting down any competition from legal traders.²⁴

IMPACT’s research regarding the buying price offered by licensed and informal gold traders in Ituri and North Kivu illustrates a challenge faced by those attempting to abide by DRC law. While the licensed exporter in Ituri’s capital city Bunia would buy at around 90 percent of the London Bullion Market Association (LBMA) international spot price, the informal traders in the city would buy at 93-95 percent of the world price. Meanwhile, the informal traders in the North Kivu city of Butembo would offer as high as 98 percent.²⁵



THE LICENSED EXPORTER BUYS GOLD AT 90% OF THE WORLD PRICE, WHILE INFORMAL TRADERS IN THE REGION MAY OFFER 98%.

The significant price difference between the informal and legal market is partly explained by the taxes and government fees that licensed traders and exporters have to include in their pricing. It also spotlights the incentive for miners to sell to illicit traders who offer better prices, and for traders to capture a higher profit by smuggling large volumes, and therefore avoiding the high taxes.

Artisanal miners are aware of this price differential. Some miners in more remote mining areas will set aside a portion of their gold for when they travel to Bunia or Butembo where they will receive a higher price, eluding local traceability initiatives and legal channels from capturing this gold.²⁶

All this begs the question, what would motivate DRC gold traders and exporters to operate legally?

²² The Enough Project, *Breaking the Cycle: Delinking Armed Actors from the Gold Supply Chain in Congo and the Great Lakes Region Through Fiscal Reform and Anti-Money Laundering (AML)*, p. 5-6, and Group of Experts on the Democratic Republic of the Congo, *Final Report S/2016/466*, p. 26-27, para. 123-124.

²³ *Trop de taxes pour peu de recettes : rapport d'enquête sur les taxes perçues du secteur minier artisanal de l'or en Ituri en 2015*, Cadre de Concertation de la société civile de l'Ituri sur les ressources naturelles.

²⁴ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2014/42*, p. 38, para. 177.

²⁵ As witnessed by IMPACT in December 2019.

²⁶ As witnessed by IMPACT.

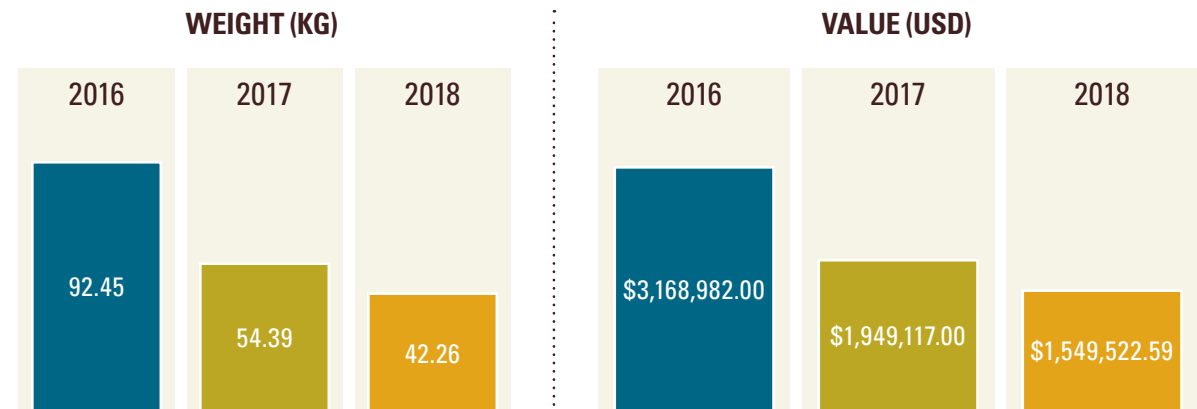


SECTION 2:

**SMUGGLING IN
SOUTH KIVU**

In 2016, South Kivu officially exported 92.45 kg of gold. In 2017, that number dropped to 54.39 kg and in 2018, it decreased further to 42.26 kg.²⁷

DECLARED GOLD EXPORTS FROM SOUTH KIVU²⁸



However, these declared exports paint a far from accurate picture of the actual movement of gold and money in the province during that time.

TRUCKS AND HIDDEN COMPARTMENTS

One of the challenges gold smugglers face is transportation—moving gold from remote production areas to export points while avoiding scrutiny by government agents and theft by possibly corrupt and predatory actors.

While reports have documented that gold is moved by different methods, including planes and motorbikes, trucks remain popular.

A 2014 UN Group of Experts report noted that mine agents had found 64 parcels containing 15-20 kg of gold in a truck traveling to Bukavu from the Misisi mine site area. Parcels bore the names of Bukavu-based traders but lacked official documentation. The gold was returned to the owners and no investigation was carried out.²⁹

²⁷ Figures for 2018 were not available at the Ministry of Mines and taken from documents at the CEEC in Kinshasa. “Statistique Minières Exercice 2016,” *Ministère des Mines*; “Bulletin statistiques minières Exercice 2017,” *Ministère des Mines*; “Or Production Artisanale 2018,” CEEC Kinshasa.

²⁸ *Ibid.*

²⁹ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2014/42*, p.38, para. 176.

In 2017, IMPACT was told about a group of traders who regularly collaborate to transport their gold from the Misisi mine site area to Bukavu. The group uses a truck with a customized reserve fuel tank that hides large shipments of gold. The gold is shipped to a Bukavu property owned by a trader where it is divided up among the group.³⁰

DRIVING OVER THE BORDER

When gold arrives at a point of export such as Bukavu, exporters are faced with the challenge of transporting it to its final destination at a trading centre, such as the UAE, where it is refined. Because there are no international or regional flights out of South Kivu, gold must first be moved across the border to a neighbouring country. Alternatively, it may be taken to neighbouring North Kivu Province where it can be flown out of Goma (see *Section 4: Smuggling in Ituri and North Kivu*).

Smugglers in South Kivu most often use land routes, hiding gold in hidden compartments built into the body of SUVs to transport contraband over the border. Popular transportation routes are between Uvira and Bujumbura in Burundi, Kalemie and Kigoma in Tanzania, and between Bukavu and Kamembe in Rwanda. Once in the neighbouring country, gold may be aggregated into a larger volume before it moves to Kampala, Uganda or directly on to the UAE.³¹

AN ESTIMATED 300KG
OF SMUGGLED GOLD
PASSES THROUGH
BUKAVU EACH MONTH
ON ITS WAY TO ONE OF
DRC'S NEIGHBOURS.



One report estimates as much as 300 kg of smuggled gold passed through Bukavu each month in 2018.³²

While these smugglers maintain a relatively low profile, they also enjoy protection from the authorities. Vehicle models and even registration numbers used for crossing the border are relatively well-known. On the few occasions when low-level security personnel at the border have intercepted the smugglers, it has been reported that intervention was swift from high-level authorities who suppress the interference.³³

Two case studies illustrate the extent to which such factors can lead to staggering discrepancies between documented and actual volumes and values.

³⁰ Manager of South Kivu trading house. Interview with IMPACT, Bukavu, March 29, 2017; Former Law Enforcement Officer. Interview with IMPACT, Bukavu, March 31, 2017; Former regionally based trader. Interview with IMPACT, Bukavu, March 28, 2017.

³¹ Gold trader. Interview with IMPACT, Bukavu, March 14, 2018.

³² Group of Experts on the Democratic Republic of the Congo, *Final Report S/2019/469*, June 7, 2019, p. 33, para. 168, <https://undocs.org/en/S/2019/469>.

³³ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2018/531*, June 4, 2018, p. 23, para. 126, https://www.securitycouncilreport.org/atf/cf/%7B65BF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2018_531.pdf.

CASE STUDY: CAVICHİ SARL

Cavichi SARL was a licensed exporter based in Bukavu that operated legally from 2013³⁴ to 2016. The company was founded by Caetano Victor Chibalonza, a DRC-based gold trader.

According to export statistics from the CEEC in South Kivu for 2015, Cavichi made three legal exports of gold that year totaling 25.7135 kg. Valuing a total of \$849,238 USD, these exports were all destined for Dubai-based Cavichi Jewellery LLC. It did not complete any exports in the first three months of 2016.³⁵

By contrast, the UN Group of Experts reported in June 2016 that based on provincial figures, Cavichi exported 49 kg of gold worth \$1.7 million USD in 2015.³⁶ The Group also accused Cavichi SARL of smuggling 410 kg of gold worth approximately \$15.32 million USD in a number of shipments between November 2015 and February 2016, based on Rwandan transit declaration forms.³⁷

IMPACT has obtained evidence that the scale of Cavichi SARL's smuggling operation was significantly more ambitious.

According to additional Rwandan transit documentation, Cavichi actually smuggled 69 gold shipments between January 2015 and February 2016 with a total volume of 5,290 kg representing an approximate value of \$191.5 million USD.³⁸ This is 250 times the volume of gold Cavichi had legally declared.

The declared value of the Rwandan transit documentation of the 69 shipments was approximately 12,724 billion RWF—only \$13.6 million USD. This is a marked difference from the estimated average gold price of \$191.5 million USD, suggesting Cavichi significantly undervalued its gold shipments to Rwandan authorities. The UN Group of Experts previously reported that Cavichi was consistently undervaluing its gold to both DRC and Rwandan authorities.³⁹

³⁴ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2014/42*, p. 166.

³⁵ Figures aggregated from documents provided by CEEC in Bukavu, South Kivu for 2015 and 2016. "Statistique des Exportations d'Or de Production Artisanale," *CEEC South Kivu*, March 2016.

³⁶ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2016/466*, p. 31, para. 151.

³⁷ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2016/466*, p. 32, para. 152-155.

³⁸ Figures aggregated from Cavichi's T1 Customs Declaration for Rwanda in 2015-2016. Value based on average gold spot price of \$40,220 USD/kg and estimated 90% purity.

³⁹ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2016/466*, pp. 134-139, Annex 49.

GOLD EXPORTED BY CAVICHI SARL AND IMPORTED BY CAVICHI JEWELLERY LLC IN 2015-2016



These shipments were smuggled from Bukavu across DRC’s border to the Rwandan city of Kamembe. From there, Cavichi representatives used fake documentation from DRC mining government agencies to obtain transit authorization to continue through Kigali and onward to Cavichi Jewellery LLC in Dubai. The UN Group of Experts reported that as part of the fraudulent paper trail, ICGLR export certificates were forged.⁴⁴

Cavichi’s success can be attributed in large part to substantial pre-financing, allowing the exporter to establish vast networks in the region, offer onward financing to traders, and increase its market share.⁴⁵ In order for Cavichi to maintain liquidity and continue gold purchases, it needed to be constantly repatriating a significant proportion of its profits from Dubai back to the DRC so that it could continue exporting large volumes on a weekly basis.

⁴⁰ Figures aggregated from documents provided by CEEC in Bukavu, South Kivu for 2015 and 2016. “Statistique des Exportations d’Or de Production Artisanale,” CEEC South Kivu, March 2016.

⁴¹ Weight was declared in grams and has been calculated into kg.

⁴² Figures aggregated from Cavichi’s T1 Customs Declaration for Rwanda in 2015-2016.

⁴³ Value was declared as 12,724,523,869 RWF. Calculated based on currency exchange rates on November 1, 2015.

⁴⁴ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2016/466*, p. 32, para. 154-155.

⁴⁵ Gold trader. Interview with IMPACT, Bukavu, February 22, 2017; Manager of South Kivu trading house. Interview with IMPACT, Bukavu, March 29, 2017; Kampala-based gold trader. Interview with IMPACT, Kampala, April 8, 2017.



Illegal financing flowed both ways: gold left the DRC and returned to the country as cash and the value of both was significantly higher than officially declared. According to multiple sources, Rwandan authorities seized more than \$3 million USD in August 2016 from a Cavichi representative.⁴⁶

In mid-2016, following publication of the UN Group of Experts report that accused it of smuggling, Cavichi SARL operations were suspended by the DRC government.

Chibalonza currently spends most of his time in Dubai and occasionally returns to Bukavu without any apparent fear of sanction.⁴⁷ The UN Group of Experts noted that Chibalonza made at least one trip from Bujumbura to Dubai in 2018-2019 and that, while he no longer holds a license to buy gold, he has “engaged in business with three Dubai-based gold traders,” including one who said Chibalonza had approached him to sell gold that came from Bukavu.⁴⁸

When contacted by IMPACT, representatives for Cavichi SARL did not respond to any of the allegations, only confirmed the company had been dissolved in 2016.

⁴⁶ Exact figures vary according to source, but all put the amount above \$3 million USD. Gold trader. Interview with IMPACT, Bukavu, February 22, 2017; Manager of South Kivu trading house. Interview with IMPACT, Bukavu, March 29, 2017; Former Law Enforcement Officer. Interview with IMPACT, Bukavu, March 31, 2017; Kampala-based gold trader. Interview with IMPACT, Kampala, April 8, 2017; Former regionally based trader. Interview with IMPACT, Bukavu, March 28, 2017.

⁴⁷ Gold trader. Interview with IMPACT, Bukavu, February 22, 2017; Manager of South Kivu trading house. Interview with IMPACT, Bukavu, March 29, 2017; Former Law Enforcement Officer. Interview with IMPACT, Bukavu, March 31, 2017; Kampala-based gold trader. Interview with IMPACT, Kampala, April 8, 2017; Former regionally based trader. Interview with IMPACT, Bukavu, March 28, 2017; Dubai-based gold trader. Interview with IMPACT, Dubai, April 18, 2017; Kampala-based former gold trader. Interview with IMPACT, Kampala, June 4, 2017.

⁴⁸ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2019/469*, p. 36-37, para. 185.

CASE STUDY: ETABLISSEMENT NAMUKAYA

Etablissement Namukaya is a Bukavu-based gold exporter run by Evariste Shamamba. Shamamba is a well-known gold trader in DRC's Kivu provinces and often cited in reports linking him to smuggling and conflict financing.⁴⁹

A discrepancy in the figures provided by Etablissement Namukaya to the DRC and Rwanda demonstrates considerable under-declaration of gold to DRC authorities.

According to official statistics from South Kivu's Mining Division and the province's CEEC, Namukaya legally exported 3.093 kg of gold from the DRC during 2015 which was sent to Motiwala Jewellers in Dubai. Another 3.638 kg was exported in January 2016 to Olive Touch General Trading LLC in Dubai—that represents legal exports of 6.731 kg between January 2015 and February 2016.⁵⁰



⁴⁹ The Enough Project, *Striking Gold: How M23 and its Allies are Infiltrating Congo's Gold Trade*, p. 3, 11; The Sentry, *The Golden Laundromat: The Conflict Gold Trade from Eastern Congo to the United States and Europe, October 2018*, p. 8, https://cdn.thesentry.org/wp-content/uploads/2018/10/GoldenLaundromat_Sentry_Oct2018-final.pdf; Partnership Africa Canada, *All That Glitters is Not Gold: Dubai, Congo, and the Illicit Trade of Conflict Minerals*, May 2014, p. 13, <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>.

⁵⁰ Figures aggregated from documents provided by CEEC in Bukavu, South Kivu for 2015 and 2016. "Statistique des Exportations d'Or de Production Artisanale," *CEEC South Kivu*, March 2016.

GOLD EXPORTED BY NAMUKAYA IN 2015-2016



However, Rwandan transit documents obtained by IMPACT indicate that during this same time period, Namukaya sent 19 shipments containing 398 kg of gold for transit through Rwanda, then on to Motiwala Jewellers in Dubai.⁵⁶

The difference between what Namukaya legally declared in the DRC and what it actually exported from Rwanda is 391 kg with an approximate value of \$14.2 million USD.⁵⁷

Representatives from Etablissement Namukaya did not respond to IMPACT’s request for comment.

⁵¹ Figures aggregated from documents provided by CEEC in Bukavu, South Kivu for 2015 and 2016. “Statistique des Exportations d’Or de Production Artisanale,” CEEC South Kivu, March 2016.
⁵² Weight was declared in grams and has been calculated into kg.
⁵³ Figures aggregated from Namukaya’s T1 Customs Declaration for Rwanda in 2015-2016.
⁵⁴ Value was declared as 1,027,883,768RWF. Calculated based on currency exchange rates on November 1, 2015.
⁵⁵ Value based on average gold spot price of \$40,220 USD/kg and estimated 90% purity.
⁵⁶ Figures aggregated from Namukaya’s T1 Customs Declaration for Rwanda in 2015-2016.
⁵⁷ Based on average gold spot price of \$40,220/kg and estimated 90% purity.



SECTION 3:

**THE RWANDAN
CONNECTION**

Rwanda only recently entered the artisanal gold trade in a major way, taking advantage of the political chaos in neighbouring Burundi and enforcement actions in the DRC to capture the lion's share of the South Kivu gold trade. The documented paucity of domestic gold production in Rwanda makes it clear that the vast majority of this gold is not of Rwandan origin.

BURUNDI: THE CRISIS NEXT DOOR

In Burundi, the controversial decision of President Pierre Nkurunziza in 2015 to seek a third term resulted in significant political disturbance and conflict. One of the severe economic repercussions was a liquidity crunch and widespread shortage of US dollars, which in turn affected the ability of gold traders in that country to buy with cash and offer pre-financing to DRC-based traders.⁵⁸



A WIDESPREAD SHORTAGE OF US DOLLARS REDUCED THE CAPACITY OF BURUNDIAN GOLD TRADERS TO OFFER PRE-FINANCING AND BUY GOLD FROM DRC.

In August 2015, Burundian General Adolphe Nshimirimana was assassinated. Widely acknowledged as the second most powerful figure in Burundi after the President, Nshimirimana had been named by the UN Group of Experts as someone providing protection to some of Burundi's major gold smugglers.⁵⁹ His assassination was reported to have destabilized Burundi's illicit gold market.

Instability in Burundi contributed to a reconfiguration of illegal gold supply chains throughout the region.

One result was the rise and fall of Cavichi SARL (see Case Study in Section 2). As the company consolidated much of the artisanal gold supply chain in South Kivu, it appeared on the radar of the UN Group of Experts and DRC authorities. Following the suspension of Cavichi's Bukavu operations by the government in mid-2016, gold traders in South Kivu had to once again reconfigure their supply chains.

GROWTH IN RWANDAN GOLD EXPORTS

Accessing accurate statistics for Rwanda's gold production and exports poses many challenges, as it doesn't report specifically on the one mineral. However, there is a clear signal in the country's growth of gold exports over the last few years.

In 2014, Rwanda reported \$8.1 million USD in exports of "other minerals," which includes gold. This rose to \$80.06 million USD in 2016. The same year, reporting by The National

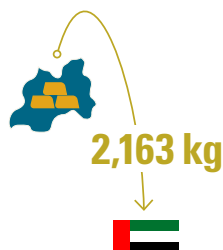
⁵⁸ Former regionally based trader. Interview with IMPACT, Bukavu, March 28, 2017.

⁵⁹ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2009/603*, November 23, 2009, p.36-37, para. 149, <https://undocs.org/s/2009/603>

Institute of Statistics for Rwanda documents how “other unwrought gold (incl. gold plated with platinum), non-monetary” totaled \$75.52 million USD in 2016.⁶⁰

There is a considerable discrepancy between this upswing in gold exports and Rwanda’s estimated gold production capacity. While gold production data is difficult to procure, the United States Geological Survey estimates Rwanda’s gold production at 160 kg in 2014 and 319 kg in 2015.⁶¹

ARTISANAL GOLD
PRODUCTION IN
RWANDA IS ESTIMATED
TO BE 300 KG PER YEAR.
IN 2018, IT EXPORTED
2,163 KG TO THE UAE.



According to the UN Group of Experts, Rwanda officially exported 2,163 kg of gold in 2018, yet 12,539 kg of gold imported into the UAE was reported as Rwandan in origin.⁶²

Even in the hypothetical scenario of an annual production of 300 kg, which would amount to approximately \$12 million USD, that is still a fraction of Rwanda’s \$80 million USD in gold exports through 2016 and today’s massive exports.

This swift surge in gold production has not gone unnoticed by the Rwandan government, which publicly celebrates its emergence as one of the region’s most significant gold exporters.

In 2019, the country opened its first gold refinery, Aldango Ltd., which says it is able to refine 220 kg per day—6 tons per month.⁶³ The Rwandan government is emphasizing the mining sector as a key engine for growth, with projected earnings of \$1.5 billion USD by 2024.⁶⁴

RWANDA AS A MAIN TRANSIT HUB

South Kivu gold is being smuggled across the border to Rwanda, then laundered into the legitimate international supply chain through its export to Dubai as supposedly Rwandan gold.

This differs from the Cavichi SARL and Etablissement Namukaya smuggling operations, which used Rwanda as the transiting country for undeclared, smuggled gold from the DRC on its way to Dubai.

Examining the movement of traders into Rwanda who were formerly based in the DRC will help to understand the increase in Rwanda’s gold exports.

Two case studies reveal how corrupt traders multiply their trading entities across different jurisdictions and use different exporters for their operations, allowing them to relocate and continue trading as circumstances and risk levels evolve. This technique works for both exporting gold and importing cash.

⁶⁰ The Enough Project, *Breaking the Cycle: Delinking Armed Actors from the Gold Supply Chain in Congo and the Great Lakes Region Through Fiscal Reform and Anti-Money Laundering (AML)*, p. 3.

⁶¹ U.S. Geological Survey, 2015 Minerals Handbook: Rwanda [Advance Release], 2015, p. 5, <https://prd-wret.s3-us-west-2.amazonaws.com/assets/palladium/production/atoms/files/myb3-2015-rwanda.pdf>.

⁶² Group of Experts on the Democratic Republic of the Congo, *Final Report S/2019/469*, p. 36, para. 183.

⁶³ Julius Bizimungu, “Photos: Rwanda gets first gold refinery,” *The New Times*, June 19, 2019, <https://www.newtimes.co.rw/news/rwanda-gold-refinery>.

⁶⁴ *Ibid.*

CASE STUDY: CONGO GOLDEN MINING LTD. AND OMEGA GOLD MINING LTD.

Congo Golden Mining Ltd. and Omega Gold Mining Ltd. are phantom trading entities that seem to exist only in Rwandan transit documents.

Cavichi and Namukaya cited themselves on transit documents as the exporters and actual Dubai companies as the buyers.⁶⁵ In so doing, they created a paper trail exposing themselves to potential discovery. Smugglers behind Congo Golden Mining Ltd. and Omega Gold Mining Ltd. created a completely fictitious supply chain for the transit documentation.

According to Rwandan government transit documentation viewed by IMPACT, Congo Golden Mining Ltd. and Omega Gold Mining Ltd. transited consignments from Bukavu through Rwanda onward to Dubai. Between January 2015 and March 2016, Congo Golden Mining Ltd. is recorded as having made 13 gold transit shipments totaling 450 kg while Omega Gold Mining Ltd. made five shipments amounting to 177 kg.⁶⁶

However, neither is registered as a licensed exporter by the DRC government nor do their exports appear in official South Kivu statistics.⁶⁷

Dubai-based buyers Al Haitham DMCC and Al Barsha DMCC are similarly suspect. Both are cited on the transit documents in question and are similarly elusive. Neither seems to exist as a trading company in Dubai; the address provided on Rwandan transit documents for Al Haitham DMCC is “Building Dubai, UAE.”⁶⁸

AL HAITHAM DMCC
IN
DUBAI



CONGO GOLDEN
MINING LTD HAD
13 SHIPMENTS THROUGH
RWANDA = 450 KG

THE BUYER WAS
AL HAITHAM DMCC WITH
AN ADDRESS LISTED AS
“BUILDING DUBAI.”

⁶⁵ Based on documents provided by CEEC in Bukavu, South Kivu for 2015 and 2016. “Statistique des Exportations d’Or de Production Artisanale,” *CEEC South Kivu*, March 2016; Cavichi and Namukaya T1 Customs Declarations for Rwanda in 2015-2016.

⁶⁶ Congo Golden Mining Ltd. and Omega Gold Mining Ltd. T1 Customs Declarations for Rwanda in 2015-2016.

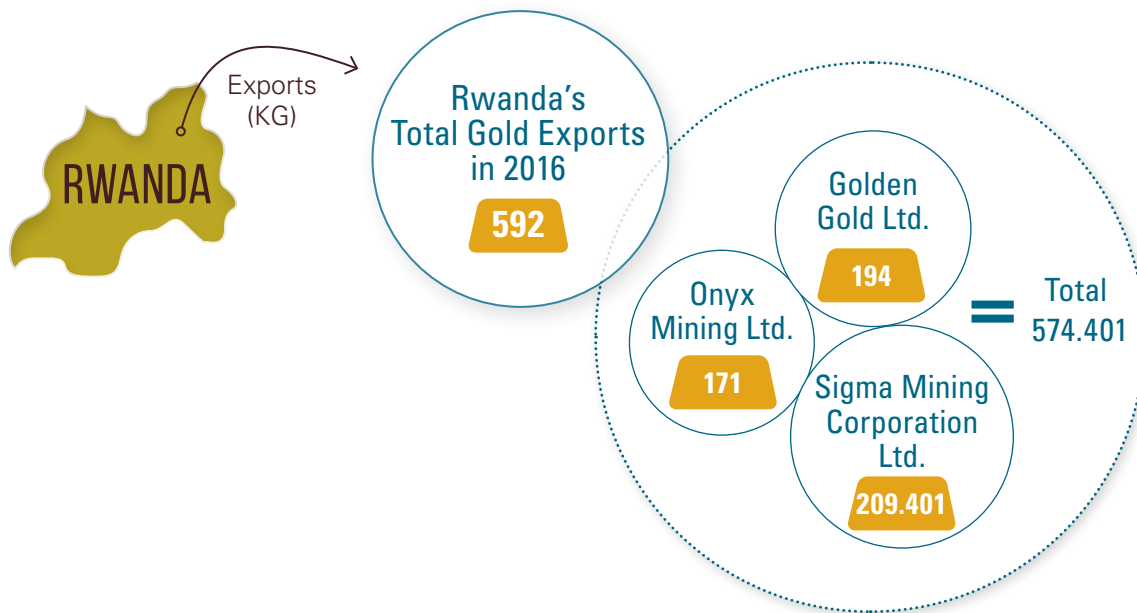
⁶⁷ Documents provided by CEEC in Bukavu, South Kivu for 2015 and 2016. “Statistique des Exportations d’Or de Production Artisanale,” *CEEC South Kivu*, March 2016; “Repertoire des operateurs du secteur des mines et carrieres (Exercice 2015),” *Ministère des Mines*, accessed March 16, 2020, https://www.mines-rdc.cd/fr/wp-content/uploads/operateurs/repertoire_des_operateurs_miniers_congolais_version_2015.pdf; “Comptoir,” *Ministère des Mines*, accessed March 16, 2020, <http://e-mines.ctcpm.cd/#comptoir>.

⁶⁸ Congo Golden Mining Ltd. and Omega Gold Mining Ltd. T1 Customs Declarations for Rwanda in 2015-2016.

CASE STUDY: GOLDEN GOLD LTD. AND ALFA GOLD CORP DMCC

Disaggregated figures for Rwandan gold exports from January to May 2016 seen by IMPACT show three Rwandan companies exporting a total of 574.401 kg to buyers in Dubai during this period: 171 kg by Onyx Mining Ltd., 209.401 kg by Sigma Mining Corporation Ltd., and 194 kg by Golden Gold Ltd.⁶⁹

RWANDAN GOLD EXPORTS FROM JANUARY TO MAY 2016 (KG)⁷⁰



⁶⁹ Data on Rwanda gold exports, by exporter, for January to May 2016 seen by IMPACT.

⁷⁰ *Ibid.*

According to Rwanda's National Institute of Statistics, Rwanda's total gold exports over that period amounted to \$21.99 million USD, which corresponds to the value of 592 kg of unwrought, non-monetary (*doré*) gold.⁷¹ This would mean these three companies represent 97% of Rwandan declared gold exports during 2016—all during the first five months.

Karim Somji has been publicly named as the owner of Golden Gold.⁷² According to Bukavu-based law enforcement sources, Somji is a former Bukavu-based trader who relocated his operations to the Rwandan side of the border, then for a while assumed a substantial share of the market after Cavichi was suspended.⁷³

Somji has been linked to numerous gold trading and exporting companies in the region, including AR Gold in Goma, Golden Gold in Bujumbura, and Golden Gold in Bukavu.⁷⁴

A closer examination of Golden Gold's Rwandan arm, Golden Gold Ltd., shows how the network operates.

According to Rwanda's export figures for July 2013 to June 2015 seen by IMPACT, between February and December 2014, Rwanda-based Golden Gold Ltd. made 25 exports to Alfa Gold Corp DMCC in Dubai. On December 24, 2014, Golden Gold Ltd. switched to exporting to Trade 50 Commodity DMCC, with 11 further exports until March 2015.⁷⁵ Ownership of Trade 50 Commodity DMCC is unclear.

The two other aforementioned major Rwandan gold exporters—Onyx Mining Ltd. and Sigma Mining Corporation Ltd.—show nearly identical trading patterns during the 2014-2015 period.

Sigma obtained its Rwandan trading license on January 9, 2015. Between January 18 and March 26, 2015, Sigma made 10 exports to Dubai—all to Alfa Gold Corp DMCC. Onyx Mining Ltd. received its trading license in May of 2014 and began exporting in November that year. Between November 14 and December 20, 2014, it made three exports to Dubai—all to Alfa Gold Corp DMCC.⁷⁶

⁷¹ The Enough Project, *Breaking the Cycle: Delinking Armed Actors from the Gold Supply Chain in Congo and the Great Lakes Region Through Fiscal Reform and Anti-Money Laundering (AML)*, p. 3.

⁷² Ivan Ngoboka, "Police recover Rwf428m stolen from businessman," *The New Times*, June 3, 2015, <https://www.newtimes.co.rw/section/read/189371>; "Our Members," Rwanda Mining Association, accessed November 13, 2019, <http://rma.co.rw/our-members/>.

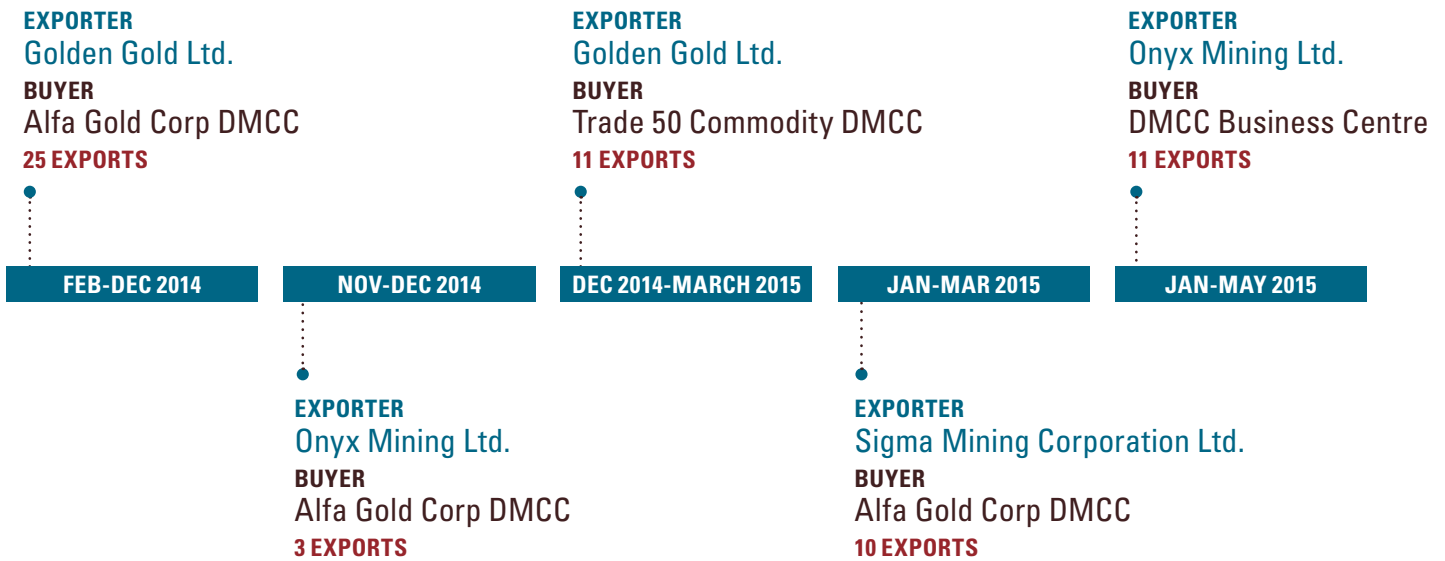
⁷³ Gold trader. Interview with IMPACT, Bukavu, February 22, 2017; Kampala-based gold trader. Interview with IMPACT, Kampala, April 8, 2017; Former regionally based trader. Interview with IMPACT, Bukavu, March 28, 2017; Kampala-based former gold trader. Interview with IMPACT, Kampala, June 4, 2017; Former Law Enforcement Officer. Interview with IMPACT, Bukavu, March 31, 2017.

⁷⁴ The Enough Project, *Striking Gold: How M23 and its Allies are infiltrating Congo's Gold Trade*, p. 6; and Partnership Africa Canada, *All That Glitters is Not Gold: Dubai, Congo, and the Illicit Trade of Conflict Minerals*, p. 12.

⁷⁵ Data on Rwanda's minerals exports, July 2013-June 2015 seen by IMPACT.

⁷⁶ *Ibid.*

EXPORTS FROM RWANDA TO THE UAE BETWEEN FEBRUARY 2014 AND MAY 2015⁷⁷



At the beginning of 2015, around the same time that Golden Gold Ltd. changed its Dubai-based buyer from Alfa Gold Corp DMCC to Trade 50 Commodity DMCC, Onyx listed its buyer as DMCC Business Centre. From January to the beginning of May 2015, Onyx made 11 gold exports to DMCC Business Centre.⁷⁸ Ownership of DMCC Business Centre was not established.

The three Rwandan companies all seem to be closely linked to Alfa Gold Corp DMCC. However, on the surface no single company dominates the market.

Somji set up gold exporting companies in different jurisdictions in the region with exports to numerous, differently named companies in Dubai. Trading and exporting switches from one company to the next at frequent intervals. No single company ever generates enough volume to attract the attention of the UN Group of Experts or other enforcement entities.

IMPACT contacted Karim Somji, as well as representatives from Golden Gold Ltd, Onyx Mining Ltd, Sigma Mining Corporation Ltd, and Alfa Gold Corp DMCC to comment on their trading patterns and sourcing practices during the period of time in question. Neither Somji or the four companies responded to IMPACT's request for comment.

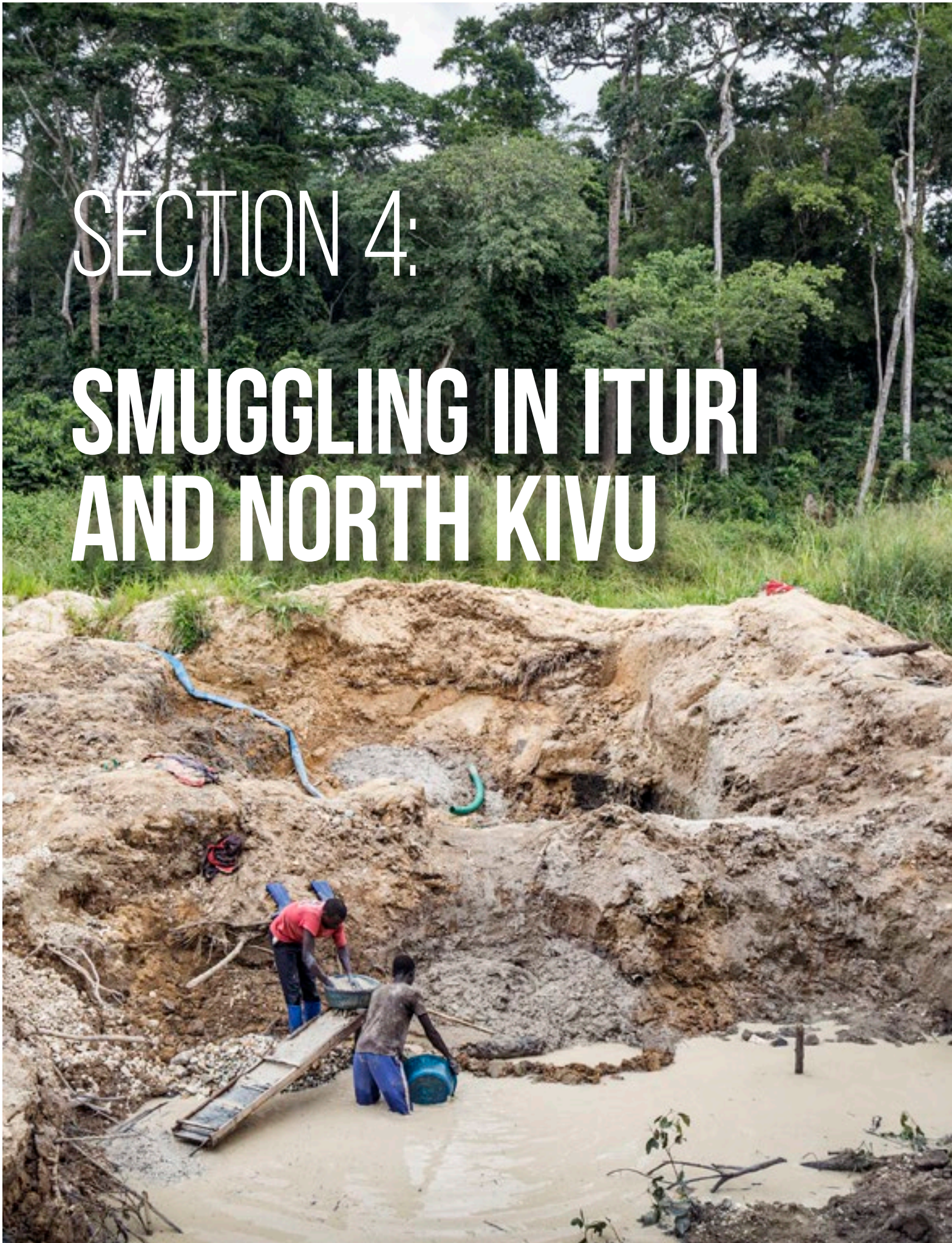
⁷⁷ Data on Rwanda's minerals exports, July 2013-June 2015 seen by IMPACT.

⁷⁸ *Ibid.*

WHEN GOLD SMUGGLING
FROM THE DRC IS SUCH A
HIGHLY PROFITABLE BUSINESS,
WHY WOULD ANY DRC GOLD
TRADER OR EXPORTER
OPERATE LEGALLY?

SECTION 4:

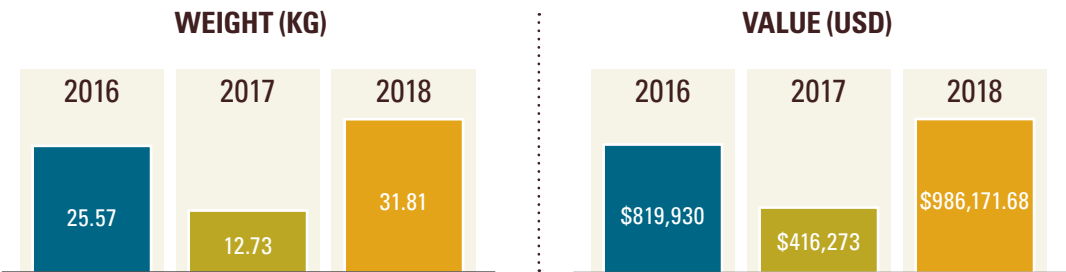
SMUGGLING IN ITURI AND NORTH KIVU



While the economy in Ituri Province has a strong focus on gold production, it was only in February 2016 that the first artisanal gold mine sites were validated as conflict-free. Gold production is significant across the province, including in the territories of Mongbwalu, Djugu, Mambasa, and Irumu.⁷⁹

Ituri’s provincial capital, Bunia, serves as a main aggregation and trading centre. Official statistics show that 25.57 kg of gold was exported from Ituri Province in 2016, 12.73 kg in 2017, and 31.81 kg in 2018.⁸⁰

DECLARED GOLD EXPORTS FROM ITURI⁸¹



Muongano na Maendeleo (MnM), one of the licensed exporters in Bunia, has made noted efforts to implement the OECD Due Diligence Guidance. When IMPACT identified that some of the company’s principal shareholders were mentioned in UN Group of Experts reports as having possible links to armed groups, MnM took decisive measures. First, the shareholders in question were ousted from the company. This was not without risk as those were influential individuals who had invested significant capital in the company. Second, MnM adopted a new internal policy to demonstrate its commitment to implementing the OECD Due Diligence Guidance.⁸²

However, MnM faced numerous challenges. It became apparent that their business could not be commercially-viable if they sourced solely responsible gold. Too few sites had been validated by the government and as a result, the volumes of gold that could be deemed responsible were too small. Furthermore, the exporter faced a liquidity crunch after DRC’s anti-money laundering laws limited repatriation of funds to bank transfers (rather than cash) within a certain time frame and equal to the value of the official gold export. While the introduction of these laws was a positive step, MnM could not

⁷⁹ IMPACT’s Just Gold project is implemented in Ituri’s Mambasa Territory.
⁸⁰ All figures have been taken from the Ministry of Mines, apart from those for 2018, which are from CEEC in Kinshasa as they were not available at the Ministry of Mines. “Statistique Minières Exercice 2016,” *Ministère des Mines*; “Bulletin statistiques minières Exercice 2017,” *Ministère des Mines*; “Or Production Artisanale 2018,” *CEEC Kinshasa*.
⁸¹ *Ibid.*
⁸² “First Congolese Gold Exporter Takes Decisive Action to Carry out Due Diligence: Opens its Doors to International Markets,” *IMPACT*, February 15, 2015, <https://impacttransform.org/en/first-congolese-gold-exporter-takes-decisive-action-to-carry-out-due-diligence-opens-its-doors-to-international-markets/>.

suddenly rupture its dependence on the gold market in the UAE and wasn't able to find a willing buyer that would complete payments by bank transfer within the legally allotted time frame. Additionally, no international private sector actors were willing to work with a DRC-based exporter to provide the necessary pre-financing.⁸³

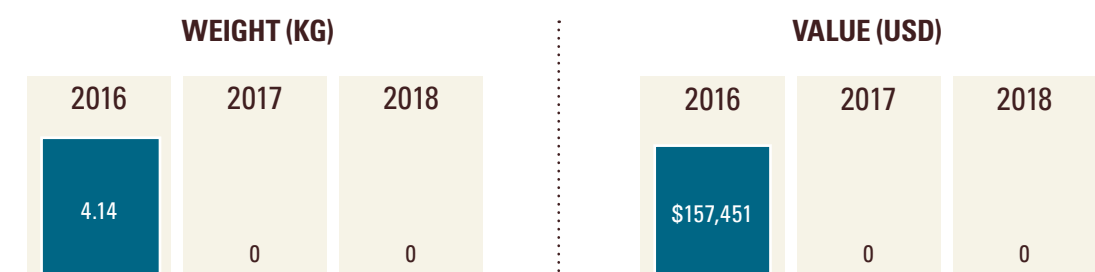
In North Kivu, Butembo acts as the hub for gold from sites in Oicha, around Manguredjpa, and Lubero, as well as sites in Ituri. It also draws from the gold mine sites in or near the Okapi Wildlife Reserve and Tshopo Province.

The only licensed exporter in North Kivu is Glory Minerals, based in Butembo.

In North Kivu, official statistics show official gold exports from the province were 4.14 kg in 2016. Both the Ministry of Mines and the CEEC in Kinshasa reported zero gold exports for 2017. Statistics for 2018 from the Ministry of Mines were unavailable, however the CEEC in Kinshasa again reported zero declared exports.⁸⁴

Another report noted that the Butembo-based CEEC noted 3.29 kg of exports in 2017 and 5.87 kg of exports in 2018.⁸⁵ Therefore, the lack of exports in official statistics for North Kivu in the country's capital may just be due to weak data collection and sharing.

DECLARED GOLD EXPORTS FROM NORTH KIVU⁸⁶



The border with neighbouring Uganda is particularly porous—people delegated by traders to smuggle gold cross with little fear of being apprehended.⁸⁷ Gold is easily transported to Uganda from Ituri's Bunia or North Kivu's Butembo and is either refined in the country or sold and transported onward.

The single air link in eastern DRC to the international market is in Goma in North Kivu, with a flight to the regional hub of Addis Ababa, Ethiopia, five times a week.

⁸³ As witnessed by IMPACT.

⁸⁴ All figures have been taken from the Ministry of Mines, apart from those for 2018, which are from CEEC in Kinshasa as they were not available at the Ministry of Mines. "Statistique Minières Exercice 2016," *Ministère des Mines*; "Bulletin statistiques minières Exercice 2017," *Ministère des Mines*; "Or Production Artisanale 2018," *CEEC Kinshasa*.

⁸⁵ BetterChain, *Lubero Information Channel: Baseline Evaluation and Recommendations for Engagement in the Lubero Territory*, February 2019, p. 53.

⁸⁶ All figures have been taken from the Ministry of Mines, apart from those for 2018, which are from CEEC in Kinshasa as they were not available at the Ministry of Mines. "Statistique Minières Exercice 2016," *Ministère des Mines*; "Bulletin statistiques minières Exercice 2017," *Ministère des Mines*; "Or Production Artisanale 2018," *CEEC Kinshasa*.

⁸⁷ As witnessed by IMPACT and Group of Experts on the Democratic Republic of the Congo, *Final Report S/2018/531*, p. 22-23, para. 120-121.

CASE STUDY: GLORY MINERALS

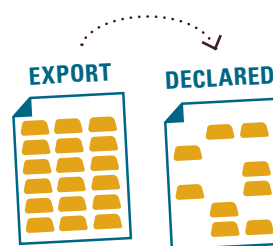
Glory Minerals or Glorym is the only licensed gold exporter operating in North Kivu, in Butembo. For a number of years, there has been a notable discrepancy between Glory Minerals' low official exports and indications that its owners are purchasing gold in much higher volumes.⁸⁸

In its 2016 report, the UN Group of Experts estimated approximately 45 kg of gold per year goes through Butembo—the majority to Glory Minerals. Yet in 2015, the company declared it exported 6 kg.⁸⁹

In 2016, the company declared only 7 kg despite many traders in the region telling the UN Group of Experts they were selling gold to Glory Minerals.⁹⁰

Glory Minerals re-appeared in the 2019 UN Group of Experts report, flagged as under-declaring its exports. Additionally, after investigation, the UAE buyer listed on its DRC export documents, Gold Market, did not exist.⁹¹

Representatives from Glory Minerals did not respond to IMPACT's request for comment.



TRADERS ARE SELLING TO GLORY MINERALS BUT THE COMPANY IS ACCUSED OF UNDER-DECLARING ITS EXPORTS. IN 2015 IT ONLY EXPORTED 6 KG, AND IN 2016, 7KG.

⁸⁸ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2017/672*, p. 23, para. 107; Group of Experts on the Democratic Republic of the Congo, *Final Report S/2016/466*, p. 30, para. 140-141.

⁸⁹ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2016/466*, p. 30, para. 140-141.

⁹⁰ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2017/672*, p. 23, para. 107.

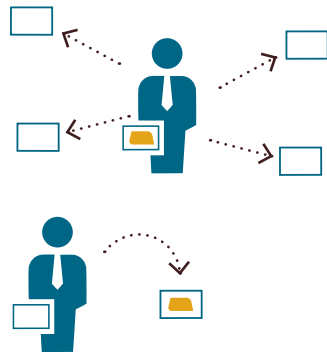
⁹¹ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2019/469*, p. 34-35, para. 175-177.

THE GOLD ECONOMY

Bunia and Butembo-based interlocutors report that the differing profiles of traders in South Kivu and Ituri helps explain the role gold plays in the general economy.

IN SOUTH KIVU, GOLD TRADERS DIVERSIFY THEIR BUSINESSES.

IN ITURI, ESTABLISHED BUSINESSMEN ENTER THE GOLD TRADE.



Gold traders in South Kivu, whose main business is gold, diversify into other businesses. In Ituri, the opposite tends to happen. Established businessmen who primarily sell goods and fuel enter the gold trade.

In the latter case, gold serves as a financial instrument rather than a mineral commodity traded for profit. Business operators engage in a cycle of gold-based money-laundering of their profits from other informal and potentially illicit business ventures.

The purchase of gold allows business operators to convert undeclared local currency accumulated from other business ventures into a highly fungible liquid asset. Gold can be smuggled in high value shipments, then exchanged for currency such as USD at trading hubs.

This enables business operators to avoid national taxes and regulations applicable to the repatriation of foreign currency. Instead, they choose to either invest their profits abroad or invest in commodities that are then sold for profit in the DRC, where the mark-up in conflict-affected communities is considerable.

AUTHORITIES MUST ACT
TO END THE OPERATIONS
OF THOSE DELIBERATELY
EVADING THE LAW TO
ILLICITLY TRADE GOLD



SECTION 5:

**THE UGANDAN
CONNECTION**

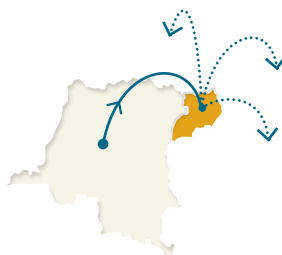
Historically, Uganda has been a major transit hub for gold smuggled over the border from eastern DRC and a link to trading hubs like the UAE. Gold is often sold to buyers in Kampala before making its onward journey.⁹²

Two families have dominated the market in Kampala for artisanal gold from the DRC for more than ten years.

Rajendra (Raju) Kumar Vaya and Jamnadias V. Lodhia (aka Chuni) are frequently cited as major smugglers of gold from eastern DRC. In March of 2007, Vaya's Machanga Limited and Lodhia's Uganda Commercial Impex (UCI) Ltd. were sanctioned by the UN Security Council.⁹³

Despite sanctions and added scrutiny, both buyers have continued to operate behind other trading entities.⁹⁴

As renowned as these traders are, they appear to be losing market share and relevance as a result of the opening of the African Gold Refinery (AGR) in Uganda.



UGANDA HAS BEEN A MAJOR TRANSIT HUB FOR GOLD SMUGGLED FROM DRC.



⁹² Partnership Africa Canada, *Contraband Gold in the Great Lakes Region: In-region Cross-border Gold Flow versus Out-region Smuggling*, May 2015, p. iv and 6, <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> and IMPACT, *A Golden Web: How India Became One of the World's Largest Gold Smuggling Hubs*, November 2019, pp. 28-30, https://impacttransform.org/wp-content/uploads/2019/11/IMPACT_A-Golden-Web_EN-Nov-2019_web.pdf.

⁹³ "Sanctions Committee Concerning Democratic Republic of Congo Adds Two Individuals, Five Entities to Assets Freeze, Travel Ban List," United Nations, March 29, 2007, <http://www.un.org/press/en/2007/sc8987.doc.htm>.

⁹⁴ Partnership Africa Canada, *All That Glitters is Not Gold: Dubai, Congo, and the Illicit Trade of Conflict Minerals*, p. 7; and Group of Experts on the Democratic Republic of the Congo, *Final Report S/2014/42*, p.39-40, para. 182-188.

CASE STUDY: AFRICAN GOLD REFINERY (AGR)

Figures indicate that AGR exported as much as 9.3 tons of gold in 2017.⁹⁵

AGR IS ALLEGEDLY SOURCING 100-150 KG OF ARTISANAL GOLD FROM DRC PER WEEK.



The origin of AGR's gold is unclear. According to one report, AGR sources as much as 100-150 kg of gold from the DRC's Haut Uélé, Ituri, North Kivu, and South Kivu provinces per week—5.2 to 7.8 tons per year.⁹⁶

AGR's CEO, Alain Goetz, has publicly described the gold it sources as "undocumented."⁹⁷ The UN Group of Experts says AGR told them that as of June 2017, the company "does not have the capacity to map the actual physical flow of each and every gram of gold."⁹⁸

Uganda's domestic gold production can be estimated at around three tons per year.⁹⁹ Given AGR's current processing of around 9.3 tons per year, this leaves an unaccounted shortfall of around 6.4 tons of non-domestically produced gold.

⁹⁵ The Sentry, *The Golden Laundromat: The Conflict Gold Trade from Eastern Congo to the United States and Europe*, p. 8.

⁹⁶ *Ibid*, p. 9.

⁹⁷ Kasper Goethals, "Gold is a dirty business, even if I do say so myself," *De Standard*, April 20, 2019, https://www.standaard.be/cnt/dmf20190503_04370790.

⁹⁸ Group of Experts on the Democratic Republic of the Congo, *Final Report S/2017/672*, p. 26, para. 124.

⁹⁹ Official in Uganda's Directorate of Geological Survey and Mines. Interview with IMPACT, April 7, 2017. Also see Global Witness, *Under-Mined: How corruption mismanagement and political influence is undermining investment in Uganda's mining sector and threatening people and environment*, June 2017, p.28, https://www.globalwitness.org/documents/19087/Undermined_Report_1.pdf.

A LOOPHOLE IN DUE DILIGENCE

Reports show that the majority of the gold processed by AGR in 2016-2017 was exported to companies either co-owned by Alain Goetz or affiliated with the Goetz family.¹⁰⁰

As with Cavichi SARL and the Golden Gold Ltd./Alfa Gold Corp DMCC network, the due diligence system is highly questionable when both the upstream exporter and downstream buyers are owned by the same individual or entity behind the sourcing of undeclared, non-validated gold.

The UAE and Dubai in particular remains the main destination for gold smuggled from eastern DRC.¹⁰¹ The Dubai Multi Commodities Centre (DMCC) is the regulatory authority for Dubai's trade in gold. In April 2012, the DMCC issued *Practical Guidance – Market Participants in the Gold and Precious Metals Industry*. This was later supplemented in August 2016 by *DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain* and the DMCC's *Anti-Money Laundering and Combating the Financing of Terrorism Policy and Process*, introduced in June 2016.

In both the OECD Due Diligence Guidance and DMCC Guidance, onus is on buyers to identify risks in their supply chain, to mitigate those risks in accordance with their severity, and to report on risks identified and actions taken. Supply chains are also subjected to third party audits. However, as shown in the cases of Cavichi, the Golden Gold Ltd./Alfa Gold Corp DMCC network, and AGR, traders and exporters often sell to Dubai-based counterparts that are part of the same commercial structure as the smuggler.

As long as sophisticated corrupt networks own or control the entities along the entire supply chain (known as “vertical integration”), the OECD Due Diligence Guidance and the DMCC Guidance are undermined.



BY OWNING OR CONTROLLING ENTITIES THROUGHOUT THE ENTIRE SUPPLY CHAIN, ACTORS MAXIMIZE PROFITS AND RENDER DUE DILIGENCE INEFFECTIVE.

¹⁰⁰ The Sentry, *The Golden Laundromat: The Conflict Gold Trade from Eastern Congo to the United States and Europe*, p. 20.

¹⁰¹ Partnership Africa Canada, *Contraband Gold in the Great Lakes Region: In-region Cross-border Gold Flow versus Out-region Smuggling*, p. iv and 6.



CONCLUSION:

**DISMANTLE THE
INTERMEDIARIES'
SYSTEMS**

When gold smuggling from the DRC is such a highly profitable business, why would any DRC gold trader or exporter operate legally?

Only a fraction of the country's gold is being declared and the state is losing out on millions in taxes each year. The traders and exporters in this report represent an undeclared value of at least \$214 million USD in gold exports between 2015 and 2016,¹⁰² resulting in a potential total loss of \$4.2 million USD for the DRC government in official export taxes that could have been re-invested into formalization of the artisanal mining sector and development in the communities.

Some individuals and companies have taken advantage of what appears to be an absence of law enforcement to combat smuggling, and they continue to operate with impunity. This must end.

Moreover, actors are constantly restructuring themselves as pressures and risks of exposure evolve. They are becoming savvier and setting up high-scale operations closer to producing nations. Whereas the DRC's gold smuggling was once hidden in the shadows, large companies that are part of vast global networks are now moving closer to the country's borders and openly laundering significant quantities of undocumented gold.

The DRC's first refinery was announced in Ituri Province in July 2019, and the second in South Kivu in March 2020.¹⁰³ However, with a lack of validated conflict-free sites and few traceability operators in the area, the question remains whether the refiner will be able to complete the traceability and due diligence required on its gold per DRC law. Additionally, some of the individuals reportedly tied to these companies have previously been publicly named as contributing to gold smuggling, including Karim Somji—mentioned in this report.¹⁰⁴ Yet, instead of being held responsible for their crimes—they are ramping up trade.

Dismantling the DRC's sophisticated illicit gold trade will require challenging deeply entrenched corrupt systems and networks. Legal trade must become more compelling and profitable.

Illicit traders and exporters must be incentivized to operate legally the way artisanal miners have been to sell their gold through legal channels.

¹⁰² Based on: difference between Cavichi's estimated value of reported exports to Rwanda (based on the LBMA international spot price) and reported exports to DRC, difference between Etablissement Namukaya's estimated value of reported exports to Rwanda minus reported exports to DRC, and the estimated value of exports of Congo Golden Mining and Omega Golden Mining—calculated at a \$40,220/kg international spot price and 90% purity.

¹⁰³ "Bunia: une raffinerie d'or en voie d'être installée par une société arabe dénommée "Equinox," Media Congo, July 25, 2019, <https://www.mediacongo.net/article-actualite-54316-bunia-une-raffinerie-d-or-en-voie-d-etre-installee-par-une-societe-arabe-denommee-equinox.html>; "New gold refinery in DRC links a senior employee of Erik Prince's security firm to a close associate of ex-President Joseph Kabila and a reported gold smuggler, Global Witness reveals," *Global Witness*, April 23, 2020, <https://www.globalwitness.org/en/press-releases/new-gold-refinery-in-drc-links-a-senior-employee-of-erik-princes-security-firm-to-a-close-associate-of-ex-president-joseph-kabila-and-a-reported-gold-smuggler-global-witness-reveals/>

¹⁰⁴ "New gold refinery in DRC links a senior employee of Erik Prince's security firm to a close associate of ex-President Joseph Kabila and a reported gold smuggler, Global Witness reveals," *Global Witness*, April 23, 2020.

The high taxes and administrative burden for gold exports is a major motivator for smuggling and needs to be addressed. It makes it difficult for supply chain actors to be both legally-compliant and operate commercially-viable businesses.

Meanwhile, the international community is failing to create an enabling environment for the DRC's artisanal gold sector. Instead, recent actions potentially may have opposite effect.

In October 2019, the US Customs and Border Protection Agency announced additional checks on artisanal gold from the DRC due to reports of forced labour.¹⁰⁵ The DRC's civil society called it a stigma that would result in a "de-facto embargo" and only increase smuggling.¹⁰⁶

Traceability and due diligence schemes for artisanal gold have made progress in the DRC, but are still a drop in the bucket in the face of competition from illicit trade. If action isn't taken to address smuggling, responsible gold efforts in the DRC will not be scalable and sustainable.

While determining ways to dismantle corrupt systems and incentivize legal operations, the international community has to get creative, even working with those who may have once operated in the shadows. While this research spotlights how some traders and exporters appear to purposefully skirt laws and authorities to make a profit, others are merely trying to run viable businesses in the given context.

The international community must take steps to embrace progressive improvement, as set out in the OECD Due Diligence Guidance. Rather than establishing embargos on entire regions or supply chains, the private sector needs to work with actors in the informal sector who are not out to exploit their communities. Instead of embargos, governments should investigate and, if appropriate, sanction the owners of entities whose illegal activities benefit armed groups or criminal networks—and ultimately undermine efforts to mainstream or scale supply chain due diligence.

Traders and exporters in the DRC must be encouraged and incentivized to come out of the shadows and join the efforts for responsible supply chains. At the same time authorities, together with international actors, must work to end the operations of those deliberately evading the law to illicitly trade gold.

A spotlight now shines on those hindering the DRC's efforts for conflict-free gold.

IT'S TIME TO TAKE ACTION TO ENSURE NO SHADOWS REMAIN.

¹⁰⁵ "CBP Issues Detention Orders against Companies Suspected of Using Forced Labor," US Customs and Border Protection, October 1, 2019, <https://www.cbp.gov/newsroom/national-media-release/cbp-issues-detention-orders-against-companies-suspected-using-forced>.

¹⁰⁶ "Statement by the Congolese Civil Society on the Decision of the Customs Authority Border Protection of the USA on Artisanal and Small-Scale Exploitation Gold from the Democratic Republic of Congo," *OSMP RDC*, November 12, 2019.

ANNEX 1:

GOLD TRANSITING FROM DRC VIA RWANDA:

JANUARY 2015-MARCH 2016¹⁰⁷

Exporter	Importer	# of T1 issued	Weight Declared (kg)	Value Declared (RWF)
Cavichi SPRL	Cavichi Jewellery LLC	69	5,290	12,724,523,869
Comptoir Alfa Gold	Alfa Gold Corp DMCC	1	6	54,226,417
Comptoir E.T.S. Namukaya	Motiwala Jewellers	19	398	1,027,883,769
Congo Golden Mining Ltd	Al Haitham DMCC	13	450	916,126,580
Delta Gold Company SARL	Alpha Gold Corp DMCC	1	7	162,775,031
Golden Gold Congo SARL	DMCC Business Centre	1	9	66,750,016
Golden Gold Congo SARL	Trade 50 Commodity DMCC	6	32	402,624,761
Omega Gold Mining Ltd	Albarsha DMCC Ltd	5	117	365,983,861
Kasereka-Bukavu		0	0	0
Total		115	6,368	15,720,894,304

¹⁰⁷ Figures aggregated from Rwandan T1 Transit Declaration Forms obtained by IMPACT.

ANNEX 2:

GOLD EXPORTED FROM SOUTH KIVU: JANUARY 2015-JANUARY 2016¹⁰⁸

Exporter	Buyer	Month	Weight (kg) ¹⁰⁹	Value Declared (USD)
Golden Gold	Trade 50 Commodity DMCC	Jan 2015	9.568	\$304,621
Golden Gold	Trade 50 Commodity DMCC	Feb 2015	5.187	\$174,139
Golden Gold	Trade 50 Commodity DMCC	Mar 2015	5.631	\$179,556
Golden Gold	Trade 50 Commodity DMCC	Apr 2015	9.255	\$293,070
Golden Gold	Trade 50 Commodity DMCC	Jun 2015	5.966	\$180,089
Golden Gold	None listed	Aug 2015	3.0981	\$90,320
Golden Gold	Trade 50 Commodity DMCC	Oct 2015	4.529	\$131,644
Golden Gold	Trade 50 Commodity DMCC	Dec 2015	3.437	\$95,998
Total:		8	46.6711	\$1,449,437
Cavichi	Cavichi Jewellery LLC	Feb 2015	10.4047	\$358,980
Cavichi	Cavichi Jewellery LLC	Jun 2015	10.262	\$334,698
Cavichi	Cavichi Jewellery LLC	Dec 2015	5.0468	\$155,560
Total:		3	25.7135	\$849,238
Alfa Gold	Alfa Gold Corp DMCC	Mar 2015	5.4982	\$176,014
Alfa Gold	Alpha Gold Corp DMCC	Apr 2015	4.6736	\$147,948
Total:		2	10.1718	\$323,962
Kasereka	Nileche	Apr 2015	3.77365	\$124,069
Kasereka	Nileche	Sept 2015	2.1322	\$75,268
Total:		2	5.90585	\$199,337
Delta Gold	Alfa Gold Corp DMCC	Sept 2015	7.1997	\$218,524
Total:		1	7.199.70	\$218,524
Namukaya	Motiwala Jewellers	Jun 2015	3.09302	\$89,724
Namukaya	Olive Touch General Trading LLC	Jan 2016	3.638	\$119,900
Total:		2	6.77602	\$209,624

¹⁰⁸ Figures aggregated from documents provided by CEEC in Bukavu, South Kivu for 2015 and 2016. "Statistique des Exportations d'Or de Production Artisanale," CEEC South Kivu, March 2016.

¹⁰⁹ Weight was declared in grams and has been calculated into kg.

IT'S TIME
TO BRING THESE
INTERMEDIARIES OUT
OF THE SHADOWS
THEY OPERATE IN



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