Report
The barriers to financial access for the responsible minerals trade in the GLR

Client
Focus
Great Lakes Region (GLR)
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## Acronyms and Abbreviations

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<td>3T</td>
<td>Cassiterite (tin), wolframite (tungsten) and coltan (tantalum)</td>
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<td>3TG</td>
<td>Cassiterite (tin), wolframite (tungsten), coltan (tantalum) and gold ore</td>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<td>ARM</td>
<td>Alliance for Responsible Mining</td>
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<td>ASGM</td>
<td>Artisanal and Small-Scale Gold Mining</td>
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<td>ASM</td>
<td>Artisanal and Small-Scale Mining</td>
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<tr>
<td>BIO</td>
<td>Belgium Investment Company for Developing Countries</td>
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<td>BSP</td>
<td>Better Sourcing Program</td>
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<tr>
<td>CAHRAs</td>
<td>Conflict-Affected and High-Risk Areas</td>
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<tr>
<td>Capex / opex</td>
<td>Capital expenditure / operating expenditure</td>
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<td>CBRMT</td>
<td>Capacity Building for Responsible Minerals Trade</td>
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<td>CSOs</td>
<td>Civil Society Organizations</td>
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<tr>
<td>CRAFT</td>
<td>Code of Risk mitigation for Artisanal and small-scale miners engaging in Formal Trade</td>
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<td>DCA</td>
<td>Development Credit Authority</td>
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<td>DFIs</td>
<td>Development finance institutions</td>
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<td>DMCC</td>
<td>Dubai Multi-Commodities Centre</td>
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<td>FATF</td>
<td>Financial Action Task Force</td>
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<td>GLR</td>
<td>Great Lakes Region</td>
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<td>GTSF</td>
<td>Global Trade Supplier Finance</td>
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<td>ICGLR</td>
<td>International Conference on the Great Lakes Region</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>iTSCI</td>
<td>ITRI Tin Supply Chain Initiative</td>
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<tr>
<td>LBMA</td>
<td>London Bullion Market Association</td>
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<td>LSM</td>
<td>Large-Scale Mining</td>
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<td>MFIs</td>
<td>Multilateral financial institutions</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<tr>
<td>RAGS Forum</td>
<td>The Responsible Artisanal Gold Solutions Forum</td>
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<tr>
<td>RCM</td>
<td>Regional Certification Mechanism</td>
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<td>RJC</td>
<td>Responsible Jewellery Council</td>
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<tr>
<td>RMI</td>
<td>Responsible Minerals Initiative</td>
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<tr>
<td>RMT</td>
<td>Responsible Minerals Trade</td>
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<tr>
<td>SME</td>
<td>Small and medium-sized enterprises</td>
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<tr>
<td>UAE</td>
<td>United Arab Emirates</td>
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<tr>
<td>UN GoE</td>
<td>The United Nations Group of Experts</td>
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<td>ZEA</td>
<td>Artisanal Mining Area (Zone d’Exploitation Artisanale)</td>
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Introduction

This report, delivered by Sofala Partners and BetterChain, follows a Request for Proposal to conduct research on the roles of – and barriers to – financial institutions in promoting responsible minerals trade from conflict-affected and high-risk areas (CAHRAs), issued by the Public-Private Alliance for Responsible Minerals Trade (PPA) in November 2018.

The purpose of the following report is to provide insights, analysis and data – based on extensive interviews with industry participants and financial institutions – that can inform future initiatives designed to achieve the ultimate goal of a fully traced and validated supply chain that is both scalable and self-sustaining. The report’s scope of enquiry covers the role of financial institutions (and of industry partners that provide financing) in both the responsible tin, tantalum, tungsten (3T) and gold supply chains (together, the ‘3TG’ sector).

In the report’s opening section, Sofala Partners/BetterChain assess the financial sector’s current approach to compliance and due diligence in conflict-affected and high-risk areas, identifying the key barriers which, to date, have caused disengagement by international and regional companies seeking to produce and source responsible minerals from the Democratic Republic of Congo (DRC) and the Great Lakes Region of Central Africa (GLR). In addition to access to finance through financial institutions, we also address the barriers and opportunities to improving access to finance for artisanal operators through business partners, i.e. supply chain finance.

In the subsequent sections, we outline (i) potential solutions to the key barriers that are obstructing the establishment of effective due diligence systems that would unlock the flow of finance to actors in the responsible minerals trade in the GLR; and (ii) recommendations for an outreach and education strategy targeting banks and other financial institutions active in responsible 3TG supply chains.

About this report

This report has been authored by Sofala Partners and BetterChain with review and comment by members of the PPA Governance Committee and Projects and Resources Work Group for consideration. The findings and analysis are solely those of the authors and do not necessarily reflect the position of the PPA.

About the PPA

The PPA is a multi-sector, multi-stakeholder initiative that works to improve due diligence and governance systems needed for ethical mineral supply chains in the Great Lakes region of Central Africa. It responds to the global call for action to break the link between the illicit minerals trade and violence, human rights abuses and rebel groups, and to support projects and dialogue to improve the due diligence and governance systems needed for responsible minerals sourcing and trade. For more information, see www.pparmt.org.

Methodology

This report draws upon:

i. Interviews with a wide range of informed stakeholders in the financing ecosystem for the responsible minerals trade in the GLR. Between January and March 2019, our team conducted 47 interviews with key stakeholders. These interviews were led primarily by Helene de Balzac of BetterChain and by Ashley Elliot of Sofala Partners.

ii. Extensive public record research on the available academic publications, policy briefings, technical studies, government reports, due diligence and certification scheme reporting and audits, and industry documentation (including bank annual reports and presentations).
Because many of the interviews for this report included discussion of proprietary financial information or commercially sensitive subject areas, we have maintained anonymity for the individuals interviewed. Below, we provide a snapshot of the interviewee list at the organizational level for reference:

- **7 interviews** with executives at mining companies and GLR-based 3TG exporters
- **5 interviews** with refiners and smelters in the global 3TG supply chain
- **3 interviews** with global trading firms active in the 3TG supply chain in the GLR
- **5 interviews** with local and global financial institutions
- **3 interviews** with key players in the downstream sector (end-buyers)
- **5 interviews** with Development Finance Institutions (DFIs) and Multilateral Financial Institutions (MFIs) active in the DRC / GLR
- **5 interviews** with relevant global convening bodies and industry associations
- **16 interviews** with DRC-based lawyers and auditors focused on the mining and minerals sector, and with consultants and journalists covering the DRC with expertise in the minerals and financial sectors.

Specific questions guiding our research included:

- What roles do financial institutions play in the responsible minerals trade, including payments and transfers, lending, and other activities?
- How does finance currently flow in 3TG supply chains?
- What is the range and scope of various financial institutions’ policies for engagement with the artisanal mining sector?
- What regulations or industry systems govern financial institutions with regard to trade in CAHRAs?
- Which specific risks or other factors have been the main cause of past decisions to decline transactions associated with CAHRAs, even when involving known and trusted companies?
- Are there differences in how risks in artisanal vs. industrial operations are assessed or perceived?
- Are there cases that demonstrate successful engagement and risk management by financial institutions with entities engaged in responsible minerals produced in CAHRAs, or from other (non-mineral) sectors?
- What due diligence and monitoring mechanisms could contribute to scaling-up of investments in responsible trade by these parties?
- What are other strategies for overcoming real or perceived risk to financial institutions’ engagement in trade of legitimate minerals from CAHRAs?

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1 This report has been authored independently by Sofala Partners and BetterChain and its findings do not reflect the position/views of the PPA or its facilitator, RESOLVE. Further, direct quotations and extracts from interviews provided in the report do not necessarily reflect the position of Sofala Partners and BetterChain as authors.
Executive summary

Identification of issues and mapping of financial flows

Upstream supply chain participants in the 3TG sector (such as miners and exporters) require access to finance to fund a range of needs, from trade operations and working capital to investments in improving the efficiency of mineral extraction and meeting the costs associated with responsible sourcing of minerals. To some extent, the challenges differ between the 3T (tin, tungsten and tantalum) and gold sectors, but in both cases there are bottlenecks in the flow of finance at each stage of the supply chain.

Financing gaps along the 3T supply chain

In the 3T sector, the trade of minerals from the upstream to the midstream level of the supply chain is usually based on advanced payment from the buyer to the seller, which creates cash flow problems and a gap between up-front costs and receivables. For example, ‘négoiciants’ (the local term for local traders in DRC) act as middlemen to purchase from miners and are commonly pre-financed by DRC-based exporters with between US$100 - US$1,000 per day. However, ‘coupures de fond’ (cash flow challenges) are common, as there is no banking system at this level of the supply chain and mineral price fluctuations create uncertainty.

Négociants are typically affiliated to several exporters and ‘re-sell’ minerals to the highest bidder, creating a risk of re-payment delay (often of several months) for exporters that have provided money advances, and a preference only to advance funds to trusted négociants. In this way, unsecured pre-financing of négociants creates cash flow problems for locally-based exporters seeking to aggregate supply volumes in the DRC.

Further along the supply chain, the nature of the payment loop between DRC-based exporters, smelters and global traders creates a structural cash flow challenge for global traders, as traders are only paid once the smelter has received shipment and payment has been made to the intermediary (usually 3 to 5 months after the trader first advanced monies to a locally-based exporter).

That said, international trading companies are generally able to manage financing challenges in the 3T sector, as they are typically able to access finance outside of the DRC. Global trading firms also mitigate the risk of late or non-payment by providing advance payments only to trusted DRC- and Rwanda-based suppliers that can demonstrate adequate financial records and proof of compliance (for instance, through participation in a recognised upstream due diligence programme). Global traders and their banks do view DRC as a high credit risk jurisdiction, but such trading firms are generally comfortable buying from DRC as long as this represents only a small percentage of the group’s overall global activities, as their risk is diversified.

For their part, 3T smelters have limited incentive to offer inventory finance to upstream players. There is little upside for 3T smelters to advance funds to multiple suppliers because the level of competition in the midstream part of the 3T value chain is much lower than in the gold sector, and so supply volumes are rarely under threat. In the tin sector, for example, the global smelting market is dominated by just two companies. Hence, for global smelters, the risks and costs involved in advancing payment to DRC-based suppliers outweigh the potential benefits.

Identifying the key barriers to bank credit and payments in the 3T sector

At the upstream level, neither artisanal miners nor local traders or cooperatives are able to obtain access to finance through financial institutions, as the high level of informality at this level of the supply chain means that these actors are unable to meet loan application requirements. Instead, they rely on cash-based finance and on payment advances from one supply chain actor to another, with no bank involved. 3T exporters, as the most solvent and well-organised actors in the upstream supply
chain, have better prospects – in theory – of obtaining bank finance locally. In reality, however, the loan conditions imposed by Congolese banks – which include high rates of interest, overly rigid collateral requirements and no grace period on repayment – are not appropriate to the business models of these exporters. As a result, many exporters do not seek loans in the local banking sector.

In contrast to the difficulty of accessing loans, making bank payments is not a major challenge for established trading firms, who face few problems when making payments in US Dollars in DRC or Dubai. While US banks are more likely to block payments due to the perceived jurisdictional risk in the DRC, European banks and banks based in the Gulf are generally happy to transact in the DRC, leaving sufficient options available for exporters (especially as many DRC-based exporters have parent/sister companies in Dubai).

Of all the upstream actors in the 3T supply chain, local exporters in the GLR that are part of a wider multi-jurisdictional conglomerate have the best ability to overcome access to finance challenges, as they are typically able to arrange low-cost financing either in-house (through cash flow from other operating divisions) or offshore. Dubai is the preferred banking jurisdiction for this type of conglomerate as money transfers in the UAE are straightforward (typically 20 USD per transaction regardless of the amount), and loan requirements are less rigid. In contrast, it can be very slow to open a bank account in DRC, often taking up to one year, and transfer fees are also much higher.

Gold sector overview

In the gold sector, the dynamics are different as the shadow (smuggling) economy is by far the largest component of the overall ASM gold economy, and the underlying dynamics of the illicit gold trade shape the challenges and opportunities facing the much smaller legal gold sector. Smuggling is institutionalized and involves not just rebel or criminal groups but government and army figures, rendering the ‘conflict minerals’ label misleading. The highest volume smuggling route for ASM gold from DRC is via Uganda, where the business and political elite is reportedly directly involved in the trade.

Our research identified five critical disincentives to formalisation (and therefore to financial access) for DRC-based artisanal gold operators:

1. Upstream gold supply chain participants are both unable to access legal forms of credit due to their informality/high-risk borrower status and unwilling to access credit because interest rates from local banks are often higher than their margin on gold sales.
2. The tax burden on legal gold exports from DRC is high and tax-paying actors incur a ‘double penalty’ due to their greater visibility and exposure to extortion.
3. Due diligence costs for artisanal operators are prohibitively high (unless donor or exporter-subsidized), and there is no recognized sector-wide due diligence programme.
4. The scale of the illegal trade makes it hard to create a premium for legal/traceable gold because money launderers and cash-scarce businesses bid up the price of illegal gold. Hence, it would be challenging to create a large-scale bifurcated market for gold (featuring a premium price for responsibly sourced gold) as expensive traceable gold will always be undercut by the buoyant non-traceable market.
5. The legal DRC gold sector is undercut by firms in Rwanda/Uganda engaging in regulatory arbitrage, whereby Ugandan/Rwandan companies who buy illegal smuggled gold originating in DRC enjoy lower costs than their DRC-based counterparts, due to the friendlier operating environment in their host countries. In this way, illegal gold mining and mineral trade activities generate more value for local supply chain actors than compliant ones: the core challenge is to reverse this equation so that the formal/traceable gold sector is attractive on its own terms to artisanal miners.

Interviewees observed that the smuggling incentive and the perverse incentives created by high taxation in the DRC overshadow the access-to-credit issue as the key barriers to formalisation for ASM. At the root of the smuggling incentive is the fact that gold is not just a mineral commodity but also a financial instrument and a store of value in its own right. As such, in the ASGM
sector, it is impossible to separate assessment of the barriers to financial access from the broader barriers to formalisation. As in the 3T sector, the ASM gold trade is based on a pre-financing system, but for gold the system runs on highly opaque cash-based payment advances rather than more formalised arrangements.

**Examples of traceable and legal ASM gold production in DRC are limited.** IMPACT’s Just Gold project and USAID’s recently-concluded CBRMT project, located in Ituri Province and South Kivu Province (eastern DRC), respectively, aim to trace conflict-free and legal artisanal gold from mine site to export while applying regional and international standards applicable to conflict-affected and high-risk areas; however, gold volumes have been low, representing a challenge to sustainability and scalability. (Low supply volume is problematic in the context of the cost economics of the sector, as gold shipments need to be relatively high volume to achieve cost-recovery.)

**Analysis of the barriers to financial access**

**Overview**

For both local and global banks, **the poor ratio between (high) financial risk and (low) financial return represents the greatest obstacle to engagement in the ASM sector.** In particular, the informal characteristics of individual artisanal mining operators represent a critical barrier to bank lending. Banks refuse to engage with artisanal operators as nearly all such operators lack a formal management team, legally-recognised corporate structure, a proven record of financial accounts, access to traditional definitions of collateral (banks do not recognise the types of collateral that ASM gold operators have to offer), and adequate financial and information management systems. All of these are basic requirements for loan application processes in the formal financial sector. Additionally, artisanal miners are mobile, creating a high perceived risk of loan default.

**Perceptions of risk: commercial risk vs reputational risk**

At present, **no financial institutions provide finance to ASM in the DRC on a sustainable or scalable basis.** This is primarily due to commercial considerations: i.e. the perceived financial risk is too high. Stimulating direct lending by local banks to artisanal operators is therefore likely to require extensive technical assistance, grant funding and a 'blended finance' approach designed to reduce financial risk exposure for banks. However, a key barrier to this kind of multi-stakeholder approach is that Development Finance Institutions (DFIs), which could potentially play a catalytic role by providing concessional finance and guarantees, are highly sensitive to reputational risk and will not commit to investments unless they meet full IFC Performance Standards; yet no artisanal operator in DRC can meet these standards. Hence, there is a two-step challenge: first, DFIs needs to get comfortable from a reputational risk standpoint; and only after this can DFIs become involved in mechanisms that could help take enough of the financial risk off the table for commercial banks that lending to ASM becomes commercially viable.

**Specific barriers to financial access in the gold and 3T sectors respectively**

In the gold sector, banks view artisanal upstream supply chain participants as particularly high-risk. There is a widely held negative perception among both banks and DFIs that ASGM is high risk because gold is easy to smuggle, hard to trace and represents a fungible store of value. The influential

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2 The Just Gold project is an on-going project implemented by the NGO IMPACT (formerly Partnership Africa Canada) in the eastern DRC. The project aims to bring legal, traceable, and conflict-free artisanal gold from communities where security and human rights are at risk to international markets.

3 The Capacity Building for Responsible Minerals Trade project (CBRMT) was funded by USAID and implemented in DRC by Tetra Tech between June 2014 and December 2018. The project aimed to strengthen the capacity of national and regional stakeholders to establish and scale up responsible, conflict-free mineral supply chains for gold, tin, tantalum, and tungsten (3Ts).
Financial Action Task Force (FATF)\(^4\) has drawn an explicit link between gold and money laundering risks, which has permeated global banks’ perception of integrity risk in the sector. All banks interviewed for this report drew an explicit link between non-industrial gold production and the risk of money laundering, and noted that the due diligence costs to eliminate this risk were too high for ASM gold.

By contrast, 3Ts are an input to a manufacturing process and are more traceable. Banks accordingly view 3Ts as lower risk from a reputational perspective than the gold sector. As such, the barriers to finance in the 3T sector are often more commercial in nature – there is little commercial upside for banks to engage with small-scale players, in a sector that is sub-scale – rather than compliance-related.

In-depth: key issues in the Congolese banking sector

The relatively small, illiquid and conservative nature of the Congolese banking sector presents its own specific issues. For instance, from a borrower perspective, even when credit is available, interest rates and payment transfer fees at local banks can be prohibitively high, and loan tenors lack flexibility: SME loans in the DRC range from 15% to 22% interest (though higher rates are charged in the microfinance sector on loans to individuals). Loan tenors are typically 1 to 3 years. No grace period is offered on re-payment of the principal sum, and this is a key obstacle as most artisanal operators cannot repay immediately.

Moreover, in general, the operating model at Congolese banks is not focused on business lending, but rather on a low-risk model of (i) making a profitable spread between low interest-bearing cash deposits and high interest bonds; and (ii) charging high fees on money transfers and currency exchange. A related point is that the balance sheets of local banks are too small to lend at the exporter-level, so local banks would need to pool credit to lend effectively in this space. A related point is that local banks have not invested in development of in-house capacity to understand and measure financial risk in the specific ASM sector context – this remains unfamiliar territory for loan officers.

A key barrier to ASM lending is inflexibility on definitions of loan collateral: Bank decisioning processes are typically predicated on hard, non-moveable/non-transferable collateral, such as land or buildings. In DRC, 150% collateral is normally required to obtain a loan. More workable forms of collateral that better reflect the nature of the ASM sector would be: (i) exporters could use a formal offtake agreement as collateral; (ii) ASM actors could use a real-time cash-flow reporting mechanism, or forward purchase agreements, as collateral; (iii) independent geological studies could be used as collateral (under this approach, the bank or a trusted third party such as an NGO would commission an independent assessment of the value of the minerals within the ‘Zone d’Exploitation Artisanale’ over which the operator or its suppliers have legal rights); or (iv) an innovative alternative option would be to rollout a rent-to-own or pay-as-you-go mining equipment leasing business model whereby a mobile instalment method of payment, plus remote device tracking, eliminates the need for collateral.

Upstream responsible minerals trade due diligence

Interviewees for this report were clear that while participation in upstream due diligence programmes (e.g. iTSCi) provides access to global markets, they currently provide limited benefit in terms of access to finance. Therefore, cross-recognition of different due diligence standards is required, along with a change of culture among banks and DFIs, replacing ‘disengagement by default’ (whereby the reaction to any identified risks is to disengage entirely) with a collaborative risk

\(^4\) The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.
mitigation approach that starts with an agreed minimum standard of compliance (fit for purpose for ASM) on a journey to full compliance.

*Linking upstream due diligence to financial access*

**There is a clear need to link upstream due diligence to financial access.** However, the number of compliant upstream actors, particularly in the ASGM sector, is low. Upstream due diligence programs have been slow to innovate and have struggled to achieve scale. The main reason is cost. The due diligence cost is passed on to local miners without any meaningful offsetting compliance premium on prices, thereby creating an illegal trade incentive. The key determinant of cost is access to reliable on-the-ground information – the more that reliable information can be produced and shared openly in an automated or semi-automated way, the lower the cost of conducting effective upstream due diligence.

*Perceptions of ASM in the financial sector*

An important overarching finding from our interviews is that artisanal mining has a universally negative image among global financial institutions. This is because (i) global banks have a lack of knowledge of the ASM sector and its importance to local economies; (ii) global banks often only encounter the subject of ASM as a risk factor to be mitigated when financing industrial mines, rather than as an opportunity; and (iii) banks are accustomed to lending to legally incorporated companies with standardised corporate governance frameworks and hard asset collateral. The spotlight shone on ASM by global NGOs may also inadvertently have reinforced this reluctance by global banks to engage with the sector. Hence, over and above the specific issues highlighted in this report, there is a need to close the ‘knowledge gap’ that exists in the financial sector regarding ASM.

*Towards an integrated approach to overcoming ASM access to finance challenges*

We identify six design concepts for a financing facility to unblock access to finance for ASM, listed below. These six conceptual options are not mutually exclusive: in practice, elements could be drawn from each to develop a tailored approach.

Critical success factors for any of the following proposals would include a partnership between the bank/fund and a development partner (the International Finance Corporation, to take one example) in which new decisioning processes can be designed jointly that are tailored to ASM; in addition to a multi-stakeholder coalition approach involving industry, banking associations and development partners in order to build trust and familiarity across the financial sector for new ways of working.

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<td>Option 3</td>
<td>Set-up inventory financing arrangement between refiner/smelter and exporter</td>
</tr>
<tr>
<td>Option 4</td>
<td>Create ‘Hub &amp; spoke’ exporter facilitation under a known/responsible exporter</td>
</tr>
<tr>
<td>Option 5</td>
<td>Create a stand-alone impact fund to lend to artisanal operators in 3TG</td>
</tr>
<tr>
<td>Option 6</td>
<td>Establish a challenge fund for innovative and scalable solutions to ASM financing</td>
</tr>
</tbody>
</table>
Below, we provide a high-level verdict on the pros/cons of the six design options, ranked against key criteria:

<table>
<thead>
<tr>
<th>Summary assessment</th>
<th>Measurable improvement to ASM financial access</th>
<th>Tackles perverse incentives of the smuggling/shadow economy</th>
<th>Likely to win support from DFI/MFI/NGO backers</th>
<th>Market-based solution, financially sustainable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option 1</td>
<td>![Challenging]</td>
<td>![Intermediate]</td>
<td>![Intermediate]</td>
<td>![Challenging]</td>
</tr>
<tr>
<td>Option 5</td>
<td>![Promising]</td>
<td>![Promising]</td>
<td>![Promising]</td>
<td>![Promising]</td>
</tr>
<tr>
<td>Option 6</td>
<td>![Promising]</td>
<td>![Promising]</td>
<td>![Promising]</td>
<td>![Promising]</td>
</tr>
</tbody>
</table>

Our primary recommendation would be to combine the most attractive elements of Options 1 and 5 to establish an ASM lending unit within a leading local bank (selected on a competitive basis), governed by a ‘fund-like’ performance framework that provides a line of credit and properly incentivises the bank to lend to artisanal operators (e.g. with a bonus/financial upside for the bank if an agreed number of ASM sector loans are successfully extended and repaid). In effect, this approach combines the performance incentive structures of a fund into a traditional line of credit and/or loan guarantee scheme for a bank. The lending unit would be supported by a robust grant-funded Technical Assistance facility focused on provision of on-the-ground due diligence compliance and capacity building support for ASM loan recipients.

In addition, we believe that Options 3 and 4 represent viable approaches for the gold sector in particular. Indeed, some interviewees suggested that global gold refiners could become part of the solution to the access-to-finance challenge by providing financial services to responsible ASM suppliers off their own balance sheet, or by leveraging their own preferential terms of credit on behalf of upstream suppliers. This intra-supply chain finance concept is a fast-growing field and could reduce both the cost of money transfers and the likelihood of payments being blocked. Unlike in the 3T sector, there is significant competition between gold refineries for supply, and these competitive dynamics may incentivise refiners to partner more closely with suppliers. One gold refiner has trialled this approach recently in Latin America; while another is reportedly developing in-house financing solutions, thus blurring the traditional distinction between refiner and bank.

Whichever approach is taken, we believe that access-to-finance solutions should focus primarily on the most organised and most solvent entity in the upstream supply chain, i.e. the exporter, rather than on artisanal miners. Exporters can then provide advance payments and support the formalisation of artisanal operators in their own supply chain, for example working under a ‘closed-pipe’ model where all suppliers are known and validated.
**Stakeholder engagement and outreach recommendations**

The table below outlines a roadmap of actions and engagements for the PPA and/or other organisations seeking to engage with ASM to consider pursuing. It is important to note the intrinsic link between access to finance for ASM and closer integration/partnerships between ASM producers and business partners in the supply chain: many of the highest potential opportunities for unlocking access to finance for artisanal operators involve strengthened business partner support and engagement, either directly through supply chain finance or indirectly through changes in business partner approaches to financing, risk mitigation and upstream engagement.

We identify four levels of engagement: funding, stakeholder engagement, outreach, and technical assistance:

<table>
<thead>
<tr>
<th>Category</th>
<th>N°</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder engagement</td>
<td>1</td>
<td>• Engage with the OECD to co-develop a multi-year global strategy / campaign to “re-brand” the image of ASM in the financial sector, and to bring more financial institutions into the dialogue on RMT in CAHRAs. The PPA and/or other organisations seeking to engage with ASM could form/convene a Task Force - jointly with the OECD - that includes progressive and influential financial institutions with a demonstrated commitment to progressing the ASM access-to-finance agenda.</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>2</td>
<td>• Engage with potential donors (e.g. World Bank/IFC, AfDB, USAID, etc.) to support the development of ASM expertise within leading local banks in the GLR</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>3</td>
<td>• Engage with LSM gold companies to promote the importance and benefit of the ASM sector (e.g. through the RAGS Forum)</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>4</td>
<td>• Engage with DFIs/MFIs to raise awareness of (and demonstrate with evidence-based research) the significance of the ASM sector as a critical and under-appreciated driver for social and economic development in CAHRAs.</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>5</td>
<td>• Engage with downstream firms to apply pressure on financial institutions to engage with ASM and to reward responsible sourcing.</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>6</td>
<td>• Engage with trade associations (LBMA, RJC, RMI) to promote proactive risk mitigation rather than default disengagement. This could include co-development of model risk assessment decision-making processes.</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>7</td>
<td>• Engage with downstream firms to promote better cost optimisation of upstream due diligence. Leverage the demand of downstream players for access to valuable upstream information.</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>8</td>
<td>• Engage with MFIs and DFIs to implement a guarantee program jointly with a local bank targeting the ASM sector in the GLR, in order to create a demonstration effect for a local financial sector that historically has not engaged with ASM or viewed the sector as commercially viable.</td>
</tr>
</tbody>
</table>
Stakeholder engagement

9

- Promote lessons learned from impact investors’ experience in investing in the ASM sector to attract a broader range of financial institutions into the sector. This could include a communication campaign focused on promotion of success stories and de-bunking negative perceptions.

Outreach

10

- Support efforts to harmonise mining and mineral trade taxes across the GLR

Funding

11

- Support initiatives that promote a performance-based, sub-commercial approach for ASM loans that recognises the significant non-financial positive ‘returns’ on offer from unlocking access to finance to ASM.

Funding

12

- Support existing and planned initiatives which increase the value to upstream players generated from formal trade in 3TG (i.e. initiatives that make the ASM sector commercially attractive)

Technical assistance

13

- Support the development of globally recognised benchmarks and standards to link upstream due diligence programmes to financial sector transaction due diligence: work with relevant stakeholders such as the OECD on the alignment of minerals due diligence reporting and financial due diligence requirements. This work could begin with the formation of a working group of global banks with broad representation (meeting bi-monthly in-person or by conference call to share experiences and approaches to date and to work towards a draft framework).

Critical success factors

- To achieve impact and behavior change among the global financial community, any planned initiative should include financial institutions not just from the US but from a broad range of global capital centers, as attitudes toward ASM in CAHRAs differ between banks in the US, Europe, the Gulf (e.g. Dubai), Africa and Asia.

- We recommend focusing on partners that are genuinely willing and able to support identified goals. This will require (i) conducting an in-depth stakeholder prioritization exercise tailored to the specific project/programme objectives; and (ii) recognizing that governments in the GLR often support initiatives (e.g. on tax harmonization) rhetorically, but to date have largely not implemented necessary changes. On a more practical level, it will be important to secure commitment from members (including governments) up front that they can allocate sufficient time, and have capacity, to help deliver on the programme’s goals.

- Alignment with existing programmes and organizational structures will be crucial. Any planned new programme should begin with a comprehensive mapping of existing initiatives that may overlap, with a view to aligning resource commitments and objectives to the fullest extent possible. An example in this context is the five-year USAID-funded Commercially Viable, Conflict-Free Gold (CVCFG) Project, which seeks to strengthen the responsibly sourced gold supply chain originating from eastern DRC. This project “aspires to improve access to markets for artisanal and small-scale mining cooperatives and facilitate international responsible ASM gold trade” and is led by Global Communities.

- Effort should be focused on projects or programmes that are long-term, scalable and market-driven (i.e. effect positive behavior change through price signals and cost competitiveness, rather than through regulations or one-off investments).
The programme design process should recognize that issues limiting ASM access to finance cannot be treated in isolation; rather, they are intrinsically linked to the wider barriers to ASM formalization.

Any new programme should include a sustainable funding model. Donor funding can kick-start the platform, but self-funding platforms (e.g. based on collection of member fees) are more self-sustaining in the long term and ensure that members have ‘skin in the game’.

Part One: Identification of issues and mapping of financial flows

In this section, we map financial flows and identify the key bottlenecks preventing access to finance. The 3T and gold sectors are addressed separately, as there are significant differences in the dynamics of each.

Tin, tantalum and tungsten (3T)

The diagram below provides a snapshot of financial flows through the 3T supply chain:

Upstream actors in the 3T supply chain require access to finance to fund a range of needs, from trade operations and working capital to investments in improving the efficiency of mineral extraction and meeting the costs associated with responsible sourcing of minerals. However, there are bottlenecks in the flow of finance at each stage of the supply chain. For example, as the diagram above illustrates, ‘négociants’ (the local term for local traders in DRC) are a key part of the supply chain and flow of finance at the upstream level. Négociants affiliated to trading houses act as middlemen in the Congolese market to purchase from miners and are commonly pre-financed by DRC-based exporters with between $100 - $1,000 per day. However, ‘coupures de fond’ (cash flow problems) are common for négociants, as there is no banking system at this level of the supply chain and mineral price fluctuations create uncertainty.

Further along the supply chain (after the product has been agglomerated in bulk) the nature of the payment loop between DRC-based exporters, smelters and global traders creates a structural cash flow challenge for traders, as the following diagram shows:

In-depth: Cash flow through the supply chain

- Smelters
  - USD Payment once shipment arrives
- Global traders
  - Money balance (only repaid 3 to 5 months later, once the smelter pays)
- 3T Exporters
  - Shipments (take several months to arrive at smelter)
Key focus on ‘hub’ exporters

Of the various upstream actors in the 3T supply chain, our interviews show that local exporters that are part of a wider conglomerate have the best ability to overcome access to finance challenges, as they are typically able to arrange low-cost financing either in-house or offshore. One prominent 3T exporter in DRC that has a sister trading company with multi-country operations commented: “We have enough funds from our group cash flows, so we don’t need loans […] Money transfers in Dubai are easy (20 USD per transaction regardless of the amount). We represent a big client for our Dubai bank, and we are involved in diverse activities including logistics and financial services.” By contrast, even for more formalised actors, it can be very slow to open a bank account in DRC, often taking up to one year, and payment transfer fees in the Congolese market are much higher.

A related point made by several interviewees was that access-to-finance solutions (see Part Three below) should focus on the most organised and most solvent entity in the upstream supply chain, i.e. the exporter. Exporters can then provide advance payments and support the formalisation of artisanal operators in their own supply chain, working under a ‘closed-pipe’ model where all suppliers are known and validated.

By contrast, the informal characteristics of individual artisanal mining operators act as a critical barrier to bank lending. Banks refuse to engage with artisanal operators as nearly all such operators lack a formal management team, legally-recognised corporate structure, financial accounts, access to collateral, and/or financial and information management systems, all of which are basic requirements for loan application processes in the formal financial sector.

Commercial disincentives to engagement by financial institutions

A further structural reason that neither local nor global financial institutions are likely to engage at the upstream level is that the entire 3T sector is sub-scale, which creates a disincentive to lending and investment, as volumes are low and costs for banks are high (due to the lack of economies of scale). DRC exports of coltan and tin are significantly lower than exports of cobalt and copper (3,000,000+ tonnes annually), for example. As a result, nearly all 3T operations at the producer level are small-scale and lack the level of formalisation required to make financing profitable for larger banks. Tungsten in particular is a very small sector with no major players especially in the DRC.

Commercial vs compliance-driven barriers to finance

Overall, global banks view the 3T sector as lower risk from a reputational perspective than the gold sector, partly because the influential Financial Action Task Force (FATF) has drawn an explicit link between gold and money laundering risks. Gold is easier to smuggle and harder to trace. While 3Ts are an input to a manufacturing process, gold is an inherent and fungible store of value. As such, the barriers to finance in the 3T sector are often more commercial in nature – there is little commercial upside for banks to engage with small-scale upstream players – rather than primarily compliance-related.

Trading companies

Our interviews showed that global trading firms involved in the 3T sector in the GLR need access to credit in order to provide advance payments to their DRC- and Rwanda-based suppliers. Advances are typically only made to suppliers with adequate financial records and proof of compliance (for instance, through participation in a recognised upstream due diligence programme), and where there is an established relationship of trust. Dubai is a preferred banking jurisdiction for trading firms that buy minerals from DRC, though not exclusively so.

Key access-to-finance challenges at this level of the supply chain include: (i) money transfer rates are high when transacting between global banks and local banks in the GLR, though this challenge is eased by the fact that most DRC-based 3T exporters also have bank accounts in Dubai or Mauritius; and (ii) global
traders and their financial backers view DRC as a high credit risk jurisdiction, though such trading firms are generally comfortable buying from DRC as long as this represents only a small percentage of the group’s overall global activities.

We also note that global traders will sometimes provide longer-term (i.e. not just transactional) financial support to a GLR-based supplier, such as a structured debt facility. In exceptional cases, trading firms will even take shares (i.e. a minority equity stake) in the locally-based company, in order to obtain a greater degree of oversight and control over the local partner. Again, however, these arrangements only occur in situations where there is a high level of trust and a pre-existing relationship in place.

Midstream actors (3T smelters)

The key issue identified at the midstream level is that 3T smelters have limited incentive to offer inventory finance to upstream players. According to 3T smelting companies interviewed for this report, smelters will only provide inventory financing to a small group of trusted suppliers. There is little upside for 3T smelters to advance funds to multiple suppliers because the level of competition in the midstream part of the 3T value chain is much lower than in the gold sector, and so supply volumes are rarely under threat. In the tin sector, for example, the global smelting market is dominated by just two companies.

As one interviewee from a tin smelter summarised, “we (smelters) have no incentive to run the risk of advancing money in the high-risk DRC market, especially to newer suppliers we don’t know as well.”

Gold sector

The illicit gold economy

We begin this section by examining the shadow (smuggling) economy for ASM gold in the GLR, as this is by far the largest component of the overall sector, whose underlying dynamics shape the challenges and opportunities facing the much smaller responsible gold sector.

The illegal gold economy in the DRC is vast. As one interviewee observed, “smuggling is institutionalised: government and army figures are on the take […] so the focus on rebel groups and ‘conflict minerals’ misses the point.” Another interviewee stated: “international money laundering costs are roughly 30% of funds; so, it makes sense to just buy gold; this keeps the price for non-traceable gold high.” The same interviewee concluded that “the smuggling incentive and the perverse incentives created by high taxation in the DRC overshadow the access-to-credit issue as the key challenges to formalisation for ASM.”

Our findings indicate that the smuggling system – though dysfunctional – works well enough that there are substantial disincentives for artisanal gold operators in the DRC to engage in the formal financial sector. The diagram below outlines how this smuggling economy functions in practice. The highest volume smuggling route for ASM gold from DRC is via Uganda, where the business and political elite is reportedly directly involved in the trade.
Note: The diagram above is based (i) on information shared with our team by X3 investigative journalists from global news agencies with direct experience of reporting on the African gold sector; and (ii) on selected publications, including “The Golden Laundermat: The Conflict Gold Trade from Eastern Congo to the United States and Europe” (The Sentry, October 2018), and various reports UN GoE reports on the subject. The diagram is advisory/illustrative. We note that on 13th March 2019, Ugandan authorities initiated an investigation into AGR over recent imports of an estimated 7.4 tonnes of gold, worth $300 million.5

Disincentives to ASM gold sector formalisation and bank borrowing

In summary, we identify a number of critical disincentives to formalisation (and therefore to financial access) for DRC-based artisanal gold operators:

i. Upstream gold supply chain participants are both unable to access legal forms of credit due to their informality/high-risk borrower status and unwilling to access credit because interest rates from local banks are often higher than their margin on gold sales.

ii. The tax burden on legal gold exports from DRC is high (and varies according to volumes). Tax-paying firms also incur a ‘double penalty’ due to their greater visibility and exposure to extortion by government officials.

iii. Due diligence costs for artisanal operators seeking to prove responsible sourcing credentials are prohibitively high (unless donor or exporter-subsidized) as a percentage of smaller operators’ revenues/profits, and there is no recognized sector-wide due diligence programme for the gold sector in the GLR.

iv. Cross-border smuggling from DRC to Rwanda/Uganda is entrenched and formal institutions such as the army and political parties are reportedly key participants and beneficiaries of it. The illicit gold supply chain – financed by opaque cash-based schemes – is therefore not just a shadow economy activity supported by non-state actors, but rather a tacitly mainstream and well-organized system. The scale of this illegal trade makes it hard to create a premium for legal/traceable gold because money launderers and cash-scarce businessmen bid up the price of illegal gold. As several interviewees for this report pointed out, some local buyers pay above London Bullion Market Association (LBMA) prices, implying that the purpose is money laundering. Hence, it would be impossible to create a large-scale bifurcated market for gold (featuring a

premium price for responsibly sourced gold) as expensive traceable gold will always be undercut by the buoyant non-traceable market.6

v. The relationship between DRC and Rwanda/Uganda is one of regulatory arbitrage. The DRC gold market is systematically undercut by Ugandan/Rwandan companies who buy illegal smuggled gold originating in DRC and enjoy lower costs than their DRC-based counterparts, due to the friendlier regulatory regime and operating environment in Rwanda/Uganda. This is a structural problem that could only be solved via a combination of domestic business environment reform in the DRC and regional harmonization of tariff and taxation regimes. Unfortunately, the political will to enact such changes is currently lacking in all three countries.

The formal ASM gold supply chain

Examples of traceable and legal ASM gold production in DRC are limited. The model outlined below is based off IMPACT’s Just Gold project7 and USAID’s recently-concluded CBRMT project8, located in Ituri Province and South Kivu Province (eastern DRC), respectively. These projects aim to trace conflict-free and legal artisanal gold from mine site to export while applying regional and international standards applicable to conflict-affected and high-risk areas; however, gold volumes have been low, representing a challenge to sustainability and scalability. (Low supply volume is problematic in the context of the cost economics of the sector, where gold shipments need to be relatively high volume to achieve cost-recovery).

Barriers to financing in the formal ASM gold sector

As noted above, upstream gold supply chain participants are largely unable to access legal forms of credit in the local banking sector due to their perceived high-risk status. All banks interviewed for this report

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6 Interviewees noted that global banks would not pay a premium for responsible gold (as envisaged by the Fairmined and Fairtrade models).

7 The Just Gold project is an on-going project implemented by the NGO IMPACT (formerly Partnership Africa Canada) in the eastern DRC. The project aims to bring legal, traceable, and conflict-free artisanal gold from communities where security and human rights are at risk to international markets.

8 The Capacity Building for Responsible Minerals Trade project (CBRMT) was funded by USAID and implemented in DRC by Tetra Tech between June 2014 and December 2018. The project aimed to strengthen the capacity of national and regional stakeholders to establish and scale up responsible, conflict-free mineral supply chains for gold, tin, tantalum, and tungsten (3Ts).
drew an explicit link between non-industrial gold production and the risk of money laundering, and noted that the due diligence costs to eliminate this risk were too high for ASM gold.

A further barrier is that banks typically do not recognise the types of collateral ASM gold (ASGM) operators have to offer (this is explored further in Part Two). Because miners are mobile and usually lack hard assets (such as property), there is a high risk of default.

Each one of these barriers is sufficient alone to prevent bank lending to ASGM. Only in specific circumstances – where third-party assurances are available – have these barriers been overcome to date. An example is the Just Gold project, where pre-financing prior to extraction was given by the locally-based exporter Fair Congo before extraction.9

Yet the ASGM sector is vast and should, in theory, offer a viable commercial opportunity for financial institutions. ASM gold accounts for $1bn-$2bn in gold production per year in DRC, and ASM gold represents roughly 15% (or $20 billion) of annual global gold output in total. Globally, 10 to 20 million people are directly engaged in ASM gold (ASGM) and 100 million depend on ASGM for their livelihood. It is an anomaly that this vast sector – which is the leading source of income across many localities in Africa and beyond – lacks access to financial institutions. In the DRC, ASGM production generates $1 – $2bn annually, making the country one of the world’s largest ASGM producers. In some towns in central/eastern DRC, gold is used alongside cash as a medium of exchange.10

For now, global banks are involved in the gold sector at three levels: (i) providing credit to global refiners; (ii) trading and holding gold as a commodity; and (iii) financing industrial gold miners. Hence, they are familiar with gold as a commodity and as a sector. Nevertheless, global banks remain completely disengaged from ASM gold.11 Keeping in mind the need for a market-based solution that is attractive commercially for banks on its own terms, we outline a menu of potential solutions to this historic lack of engagement in Part Three below.

Key interview quotes on the gold sector supply chain

- One financial journalist observed, “Eastern Congo needs a legitimate and clean gold refiner that pre-finances, buys, smelts and exports conflict free gold from artisanal producers at scale; but who would own and fund such a capital-intensive asset? How would you overcome the risk that artisanal operators get pre-finance but then side-sell to illegal refineries? You’re never going to get watertight contracts in place with artisanal operators; the solution needs to be market-based whereby the ‘conflict free’ exporter offers the best price, a safer sale environment and guaranteed purchase conditions on a consistent basis […] The solution has to be both palatable in compliance terms and financially robust in terms of the economics for all stakeholders; efforts undertaken to date have failed on the latter objective as they have been small-scale […] You need to incur a big up-front cost to create the intermediary you want at the scale you need because the existing players are either too small or too dodgy from a governance perspective.”

- Another interviewee commented: “the gold economy in Congo is so diffuse: it (gold) is being turned into bars in small furnaces in Goma, Kampala and elsewhere and somehow washes up in Dubai […] If you want to work with legal ASM gold producers, perhaps start in Ghana or Tanzania, not in DRC where results will be so hard to achieve.”

9 Interviewees also noted that global banks would not pay a premium for responsible gold (as envisaged by the Fairmined and Fairtrade models).
10 Although reliable data is not available, we believe Sudan is the biggest ASGM producer in the GLR: Sudan produces 120 tonnes of gold per year according to official data (though the real figure may be closer to 180 tonnes), of which at least 80 tonnes is smuggled artisanal product.
The same interviewee observed that we may see a trend in the coming years towards centralized / mandated government purchasing of ASM gold. “In Sudan, the state is trying to centralise all gold buying to create a supply of hard currency for the cash strapped government; but the government needs $3bn to get the scheme off the ground to provide a reliable and competitive price to artisans, to prevent smuggling to Dubai […] The Sudanese economy is being undermined by all the smuggling: Khartoum tried to get the Emiratis to arrest the refiners that buy gold from ASM in Sudan, but the UAE wasn’t interested in enforcement.” Meanwhile, in March 2019, the government of Tanzania announced plans to launch a gold trading hub in Geita Region on Lake Victoria. The new state-run “one stop” gold bullion market launch is slated to come on-stream in April 2019 with both local and foreign gold dealers participating. Tanzania’s six million small-scale miners will be able to sell legally to locally-based buyers at competitive prices following the reported removal of a 5 per cent withholding tax and 18 per cent value added tax previously imposed on small scale miners. Each of the five districts in Geita region will host a centre for ASGM collection, while two Tanzanian banks - Azania and CRDB - will open branches inside the gold trading complex to ensure secure transactions can take place.

The role of gold refiners

Some interviewees suggested that global gold refiners could become part of the solution to the access-to-finance challenge by providing financial services to responsible ASM suppliers off their own balance sheet, or by leveraging their own preferential terms of credit on behalf of suppliers. This intra-supply chain finance concept is a fast-growing field and could reduce both the cost of money transfers and the likelihood of payments being blocked. Unlike in the 3T sector, there is significant competition between gold refiners for supply, and these competitive dynamics may incentivise refiners to partner more closely with suppliers.

The graphics copied below (developed by BSR) provide a snapshot of the depth of insight and data available to support sustainable supply chain finance solutions between midstream players and upstream suppliers. One gold refiner has trialed this approach recently in Latin America; while another is reportedly developing in-house financing solutions, thus blurring the traditional distinction between refiner and bank.

We also note the IFC’s Global Trade Supplier Finance (GTSF) Program, which provides short-term financing to suppliers selling to large domestic buyers or exporting to international buyers (by discounting invoices once they are approved by the buyer). The GTSF represents a compelling example of MFI-supported activity in the emergent field of sustainable supply chain finance, and provides a potential model for future engagement in the ASM sector.

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12 “Tanzania to launch first gold trading hub in East Africa”, The Exchange, 7 March, 2019
Part two: Analysis of the barriers to financial access

This section assesses the specific challenges preventing financial institutions from playing a role as an enabler of trade in responsibly sourced minerals.

Key sectoral issues

Below, we recap the key sectoral issues framing the context for financial flows in the minerals sector in the GLR:

Gold sector

The overriding issue for the gold sector is the pervasive association between ASGM and money laundering. There are fundamental differences between the gold and 3T sectors in this respect. Gold is not just a commodity but also a store of value, and is used extensively as a currency/medium of exchange (for example, provides a mechanism for organised criminal groups to convert illicit cash into a stable, anonymous, transformable and easily exchangeable asset). As outlined in Part One, this makes it challenging to create a bifurcated market with a premium price for legal gold, as the market price for smuggled gold will always be buoyant owing to demand from money launderers, buyers who wish to use it as a medium of exchange, and refiners in the Ugandan, Rwandan and UAE markets who are able and willing to purchase illicit gold. As such, it will be harder to create a market-based and scalable incentive for ASM gold producers to sell to a legal buyer.

3T sector

The key challenge preventing access to finance in the 3T supply chain is that the entire sector in the GLR is sub-scale. As outlined above, production in DRC of 3Ts is significantly lower than for commodities such as copper and cobalt in volume terms, and is much more fragmented. The more fragmented and small-scale the production, the higher the due diligence costs. For banks, the sub-scale/fragmented nature of the sector means that better risk-adjusted financial returns are always available elsewhere, and so there is little incentive to understand the ASM sector and to train loan officers to lend to 3T operators. Exposure to global price volatility in the 3T sector acts as a further disincentive to bank lending, as price fluctuations make it hard to gauge credit risk.

Key issues specific to Artisanal and Small-scale Mining (ASM)

Unblocking access to finance for legal, conflict-free ASM is about much more than solving financing bottlenecks; instead, the full spectrum of barriers to formalisation must be addressed to enable access to credit from financial institutions. These barriers include structural factors such as the following:

i. The disincentives for DRC’s artisanal operators to enter the formal sector rather than remaining in the informal sector. These include high taxation, greater exposure to extortion by state officials, and the high cost of due diligence, all of which combine to make formalisation unattractive. Meanwhile the money laundering premium (especially in the gold sector), alongside extensive cash-based cross-border smuggling networks, make the informal sector relatively attractive as routes to market and buoyant prices are still available;

ii. The DRC market is systematically undermined by regulatory arbitrage, whereby Rwandan, Ugandan, Burundian and Zambian firms can pay more for minerals as their operating costs are lower than their Congolese competitors (DRC’s neighbors have fewer currency controls, lower tax, lower-cost and more reliable supporting infrastructure, and more exemptions).
Added to these structural market factors, the high-risk status of upstream operators hinders financial access. The ASM sector is dominated by the presence of numerous small entities (including mining operators and exporters) that generally lack formalised management and governance structures, and do not have demonstrable financial track records (often due to a lack of financial accounting and management capacity). This absence of formalized operators makes it almost impossible for banks to lend. Additionally, and specifically in the ASGM sector, the small quantity of legally exported product impedes the potential financial return available, and thus disincentivises financial institutions from investing.

At present, no local financial institutions or Development finance institutions (DFIs) provide finance to ASM in the DRC on a sustainable or scalable basis. Stimulating direct lending by local banks to artisanal operators is likely to require extensive technical assistance, grant funding and a ‘blended finance’ approach, as banks would otherwise view it as too high risk. However, a key barrier to this kind of multi-stakeholder approach is that DFIs are highly sensitive to reputational risk and will not commit to investments unless they meet IFC Performance Standards; yet no artisanal operator in DRC can meet these standards. Therefore, cross-recognition of different due diligence/compliance standards is required, along with a change of culture among banks and DFIs, replacing ‘disengagement by default’ with a collaborative risk mitigation approach that starts with an agreed minimum standard of compliance (fit for purpose for ASM) as part of a journey to full compliance (see below for further detail).

Interviewees for this report were also clear that while participation in existing upstream due diligence programmes (e.g. iTSCi) provides access to global markets, they currently provide no benefit in terms of access to finance.

In-depth: The barriers to finance from the bank perspective

This section provides a deep dive into the specific barriers preventing financial institutions from lending to artisanal operators:

For both local and global banks, the poor ratio between financial risk and return represents the greatest obstacle to engagement in the ASM sector. As reported by one interviewee: “including ASM activities into a business has a [negative] impact on the capital costs”. This risk/reward ratio is significantly better for Large-scale Mining (LSM), as the quantum of financing is larger, the financial returns are stronger, and the compliance costs are lower.

However, the nature of risk sensitivity varies across different financial sector stakeholders, as follows:

Several interviewees noted that the risk/reward ratio is significantly better for Large-Scale Mining (LSM), as the quantum of financing is typically larger, the financial returns are stronger, and the reputational risks are generally perceived as lower.
The following table highlights the key risks and issues specifically for local (Congolese) banks:

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<tbody>
<tr>
<td><strong>LOCAL BANKS</strong></td>
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<tr>
<td>1</td>
<td>From a borrower perspective, even when credit is available, interest rates and payment transfer fees can be prohibitively high, and loan tenors lack flexibility: SME loans in the DRC range from 15% to 22% interest (though higher rates are charged in the microfinance sector on loans to individuals). Loan tenors are typically 1 to 3 years. No grace period is offered on re-payment of the principal sum, and this is a key obstacle as most artisanal operators are not in a position to repay immediately.</td>
</tr>
<tr>
<td>2</td>
<td>The economic reality is that ASM financing does not make financial sense for local banks or mining firms. There is a ‘Catch 22’ whereby local banks would only consider financing artisanal operators if their production is integrated into a formal supply chain, but most larger mining companies are reluctant to incur the capex/opex costs involved in integration with artisanal operators. Local banks also do not have the capacity to assess the financial risk of lending to a sector that does not fit with typical loan decisioning processes. Addressing this capacity gap would require a concerted training program for bank loan officers. As one interviewee, the CEO of an organisation that lends to SMEs in the DRC, stated, “nobody lends to cooperatives – who has the legal responsibility for repayment under a cooperative? There are too many governance concerns. Banks want to lend to proper companies.”</td>
</tr>
<tr>
<td>3</td>
<td>Given the small size and relative immaturity of the financial sector in the GLR, only two financial instruments are viable in the ASM context: bank loans or a leasing vehicle (the risk-adjusted return profiles of other instruments such as equity or crowd funding are unworkable). Both options would benefit from a catalytic risk-sharing mechanism (e.g. first-loss guarantees) underwritten with donor funds by a DFI partner; but DFIs are unlikely to finance an ASM facility because, as one interviewee stated, “DFIs want you to apply full IFC ESG standards every time, which won’t work, e.g. because all artisanal operators pay protection money. For DFIs it’s all about reputation risk.”</td>
</tr>
<tr>
<td>4</td>
<td>In general, the operating model at Congolese banks is not focused on business lending, but rather on a low-risk model of (i) making a profitable spread between low interest bearing cash deposits and high interest bonds; and (ii) charging high fees on money transfers and currency exchange. A related point is that the balance sheets of local banks are too small to lend at the exporter-level, and so local banks would need to pool credit to lend effectively in this space.</td>
</tr>
<tr>
<td>5</td>
<td>A key barrier to ASM lending is inflexibility on definitions of loan collateral: Bank decisioning processes are typically predicated on hard, non-moveable/non-transferable collateral, such as land or buildings. In DRC, 150% collateral is normally required to obtain a loan. For artisanal operators, this is not viable. More workable forms of collateral that better reflect the nature of the ASM sector would be:</td>
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</table>
4) An innovative alternative option would be to rollout a rent-to-own or pay-as-you-go mining equipment leasing business model whereby a mobile instalment method of payment, plus remote device tracking, eliminates the need for collateral. A cross-sectoral example of this is M-Kopa, the provider of off-grid energy solutions, whose “loan officer is the SIM card in the device that can shut it off remotely”.

**Critical success factors** for most of the above approaches will be (i) a partnership between banks and a development partner in which new loan decisioning processes can be designed jointly; and (ii) a multi-stakeholder coalition approach involving industry, banking associations and development partners in order to build trust and familiarity across the financial sector for new ways of working. Examples in the latter category include DFIs like CDC Group, BIO or GuarantCo; a Credit Authority such as USAID’s Development Credit Authority; or a multi-stakeholder donor funded guarantee fund such as the [African Guarantee Fund](https://www.agf-fid.org/).

In this next table, we flag the barriers to financing of ASM from the perspective of global, rather than local, banks:

<table>
<thead>
<tr>
<th>GLOBAL BANKS</th>
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<tbody>
<tr>
<td><strong>Gold sector compliance costs and perceived levels of risk are higher than for 3T</strong>, which is less the case for local banks. This is driven by the Financial Action Task Force (FATF)’s emphasis on the money laundering risks relating to gold’s fungibility as a store of value. The absence of any meaningful due diligence framework for non-industrial gold production is an additional barrier.</td>
</tr>
<tr>
<td><strong>Artisanal mining has a universally negative image among global financial institutions</strong>, because (i) global banks have a lack of knowledge of the ASM sector and its importance to local economies; (ii) global banks often only encounter the subject of ASM as a risk factor to be mitigated when financing industrial mines, rather than as an opportunity; and (iii) as mentioned above, global banks are accustomed to lending to legally incorporated companies with standardised corporate governance frameworks and hard asset collateral; loan decision processes are therefore not configured to assess the financial risk of lending to the less formalised entities typical of most artisanal operators. The spotlight shone on artisanal mining by global NGOs in recent years may also inadvertently have reinforced this reluctance by global banks to engage with ASM.</td>
</tr>
<tr>
<td><strong>Disengagement is the default position of global banks with regard to the smaller-scale players in the 3T + gold sectors</strong>. Where reputational risks are identified, the reaction is to disengage entirely, rather than to collaborate with upstream supply chain participants to explore risk mitigation measures and an incremental approach to reaching full compliance.</td>
</tr>
<tr>
<td><strong>There is no harmonisation between in-house due diligence frameworks at global banks and upstream RMT due diligence programs</strong> such as the OECD Guidance and Equator Principles. There is a clear need for an alignment process. This would need to be led by a global convening body such as the Work Bank or OECD; with support from industry associations.</td>
</tr>
</tbody>
</table>
In-depth: Linking upstream due diligence to financial access

Upstream due diligence can unlock access to pre-financing from certain ASM ‘investors’, such as mid-stream actors or exporters that partner with artisanal operators to secure supply. We also believe that upstream due diligence could potentially be leveraged to unlock additional finance from a much broader universe of ASM investors, including downstream supply chain participants or financial institutions. However, there are substantial challenges to overcome to achieve this. As one interviewee (a consultant working on upstream due diligence) observed, “there is a lack of access to bank credit and a lack of access to buyers – these are two different things and due diligence programs currently only real solve for the latter.”

In our view, the key barriers to ASM access to financing via supply chain partners are:

i. The compliance requirements facing mid-stream actors – which are a precondition to providing financing to business/supply chain partners – are rigid and expensive.

ii. For the same reason, it is difficult for an industry player to leverage their existing credit facilities on behalf of upstream ASM partners, as banks also have stringent requirements.

iii. Global companies and banks tend to have a binary, over-simplified view which links ASM in fragile jurisdictions to conflict minerals.

The upstream due diligence funding challenge

To unpack these issues, we need to understand the limitations of current upstream due diligence programmes. Proof of compliance is relatively expensive to achieve and is becoming a precondition for GLR-based upstream actors to obtaining access to pre-financing from business partners in the responsible mineral trade: participants in both the 3T and gold sectors confirmed this when interviewed. This is problematic in terms of cost competitiveness because there is no price premium in the global market for production from responsible/compliant ASM 3TG producers in the Great Lakes Region over production from either 3TG LSM producers or responsible/compliant ASM 3TG producers elsewhere in the world. In addition, some upstream due diligence programs have been slow to innovate and those focused on the gold sector have struggled to achieve scale. The main reason is cost. The due diligence cost is passed on to local miners without any meaningful offsetting compliance premium on prices, thereby creating an illegal trade incentive. The diagram below captures this dilemma:
Note: The money laundering premium reference above applies only to the gold sector

As one consultant with experience of conducting field audits in the GLR observed, “it all comes down to cost – if you want traceability and due diligence, then de facto you want formalisation, which imposes higher costs on miners versus the shadow economy […] so to make it work you have to take out at least one or two middlemen, and ensure that the value previously taken by excessive numbers of middlemen is equitably shared between miners and a single intermediary.”

The key determinant of cost is access to reliable on-the-ground information – the more that reliable information can be produced and shared openly in an automated or semi-automated way, the lower the cost of conducting effective upstream due diligence.

The same interviewee continued: “Local actors can’t handle the due diligence cost – that cost is a killer for them, so financial institutions and other partners need to be involved and bear some of the cost.” On this basis, the interviewee suggested that the ideal solution would be to harmonise financial and supply chain due diligence requirements to the extent that there is no additional cost to conducting bank transaction due diligence and the OECD Guidance together, versus conducting one or the other alone.

Artisanal operators would need to buy into whatever new system is tabled – as one financial journalist stated, “what you don’t want is a solution that only works if regulations are enforced and observed, that’s a road to nowhere; it needs to be a market-based solution, driven by competitive pricing and costs and attractive to ASM on that basis.”

The recently published Alignment Assessment of Industry Programmes with the OECD Guidance shows that cost dynamics also represent a barrier to ASM engagement at the refiner level.13

“One of the challenges that several stakeholders noted in relation to on the ground assessments is that some of the Dubai Good Delivery (DGD) and Market Deliverable Brand (MDB)-accredited gold refiners source gold in much lower volumes than, for example, some of the large European or North American refineries. Where transaction values are smaller, for example when sourcing small volumes of gold from multiple ASM or medium-scale producers, the relative costs to a refiner of undertaking on the ground assessments can be much higher than if the refiner was sourcing large volumes of gold from a single large-scale producer.”

Again, access to reliable, multi-sourced and competitively-priced upstream information is the key to unblocking this barrier, in our view.

‘Default disengagement’ vs progressive due diligence in the gold sector

Default disengagement from ASM represents a major barrier to financial access for upstream supply chain participants in the GLR, especially in the context of access to inventory financing. The “conflict minerals” designation is applied uniformly, leaving no place for a more discerning approach predicated on continuous improvement and risk mitigation milestones. “Conflict minerals [is a stigma] and discourages trade in minerals that are mined in, and sourced from, conflict-affected and high-risk areas.”

In this way, disengagement become the easiest way for financial institutions (and often mid-stream actors) to mitigate complex risks. A key focus area for stakeholder engagement and awareness-raising

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14 Study on the Support System for SME Supply Chain Due Diligence, Levin Sources and RINA Consulting, November 2017, p.11
should therefore be working towards incorporating the concept of continuous improvement and proactive risk mitigation into the risk management approaches of banks and global industry players.

The following extracts from the 2018 OECD Alignment Assessment illustrate this risk mitigation paradox, as well as the lack of internal capacity to address it.15 The OECD report outlines the need (i) to reinforce risk assessment practices particularly in relation to identification of red-flags, and (ii) to focus on progressive risk mitigation rather than a default of risk avoidance:

“Gold refiners have long been used to Know Your Customer (KYC) and Anti-Money Laundering (AML) requirements, which do not generally encourage a progressive approach to managing risks (e.g. money laundering is a ‘zero tolerance’ risk). It was observed during the Alignment Assessment that both refiners and auditors tended to view the different types of risk covered by the OECD Guidance (e.g. risks of money laundering, risks of human rights abuses) as merit[ing] the same type of zero tolerance response. At the observed audits of gold refiners for both the LBMA and DMCC the auditors had a background in financial compliance auditing and therefore expected refiners’ processes and decisions to be clearly defined: either there was no risk, in which case the supplier acceptance or business transaction may take place, or there was an identified risk, in which case the supplier or transaction should be rejected. This is not aligned with the OECD Guidance which foresees progressive due diligence that allows for risk mitigation (as opposed to disengagement) under certain circumstances and with defined timescales.”

“At the refiners visited, management took a risk-averse approach to sourcing, particularly with respect to mined gold. If risks were identified during due diligence, these were usually managed by not sourcing from that supplier or disengaging if the risks related to an existing supplier […]”

A key driver of the “default disengagement” response is a lack of in-house expertise on African gold as a sector, which in turn creates a lack of understanding on how best to mitigate specific risks, thus pushing companies towards a zero tolerance response:

“For example, several of the refiners visited had, in effect, an ‘internal embargo’ on sourcing mined gold from African countries. In these refiners, the management teams felt that they did not have sufficient capacity to manage the risks that they perceived they would be exposed to if sourcing from the continent. These were commercial decisions: the refiners in question had no shortages of supply from gold producers where they felt the risks were lower and more easily managed.”

“Therefore, they felt there was little reason to incur the extra cost and potential risk exposure that they thought would be associated with African gold.”

We believe industry associations have an opportunity to become more active in promoting responsible sourcing from ASM and in overcoming the - currently common - default position of smelters and refiners to disengage from ASM and/or higher risk jurisdictions. An example of progress in this respect is that the LBMA, RJC and RMI are all involved in, and have recognized, the Code of Risk mitigation for Artisanal and small-scale miners engaging in Formal Trade (CRAFT).

**Access to markets versus access to finance**

3TG extraction in the GLR is governed by the OECD Due Diligence Guidance and the Regional Certification Mechanism from the ICGLR, while the global banking sector is governed by an arrange of national and global legislation covering anti-corruption, anti-money laundering and combatting the

15 Alignment Assessment of Industry Programmes with the OECD Minerals Guidance, OECD, April 2018, p.31-32.
financing of terrorism (AML/CFT) provisions.\footnote{Key examples include the Dodd-Frank Act and Foreign Corrupt Practices Act (FCPA) in the US; the Money Laundering Regulations (the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017) in the UK; and the recently released Fourth European Union Money Laundering Directive. Legislation varies by country and sometimes a combination of Acts and subsequent Regulations are applicable. For example, in South Africa, the Financial Intelligence Centre Act 2001 (amended by the Financial Intelligence Centre Amendment Act 2017) and the Money Laundering and Terrorist Financing Control Regulations govern AML/FT rules for the country’s banks. The Financial Action Task Force (FATF) is the inter-governmental body which sets the international AML/CTF legal, regulatory and operational standards through its 40 Recommendations, working towards multinational harmonisation of rules.} However, upstream due diligence initiatives focus on access to markets and not access to finance from financial institutions. As the section above shows, there is lack of knowledge within financial institutions on the due diligence processes carried out by supply chain actors. As a result, being part of an upstream due diligence program is not necessarily beneficial in terms of achieving access to finance.

As one DRC-based exporter commented, “being part of iTSCi has never helped us to access banks in DRC or Dubai – the due diligence process at those banks is totally different and doesn’t take schemes like iTSCi into account”\footnote{Interview with a 3T exporter, February 2019}; while another interviewee stated: “Being part of an upstream due diligence programme does not necessarily make access to finance (through financial institutions) easier […]. It is not participating in due diligence initiatives that helps us access funding but rather being part of a global program funded by recognized donors such as USAID”\footnote{Interview with a gold exporter, February 2019. However, one association, the Responsible Jewellery Council (RJC), noted that “being part of an upstream certification mechanism such as Fairtrade, Fairmined could reassure the banks and ease access to finance [for a particular scheme]”}.

**In-depth: Barriers to ASM financial access**

Below, we highlight challenges (and potential solutions) in areas where external actors and market-building players have agency to effect tangible change:

<table>
<thead>
<tr>
<th>High level challenges....</th>
<th>....and potential solutions</th>
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<tbody>
<tr>
<td><strong>Financial institutions (local banks, global banks, DFIs)</strong></td>
<td></td>
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<tr>
<td>• Conservative lending culture</td>
<td>• Just as a globally-recognised certification benchmark for responsible ASM supply is needed, so industry-wide agreement on flexible, ASM-specific interpretations of collateral is required.</td>
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<tr>
<td></td>
<td>• Work toward a performance-based approach for lending money (this will require donor support to achieve proof of concept)</td>
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<td></td>
<td>• Lack of internal capacity to measure the risk related to ASM sector</td>
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<td></td>
<td>• Strengthen the capacity of local banks and global banks on RMT due diligence processes, and on how the ASM sector functions</td>
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<tr>
<td></td>
<td>• Current transaction due diligence processes at banks are binary and lead to ‘default disengagement’</td>
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<tr>
<td></td>
<td>• Cross-recognition, harmonisation and globally-recognised linkages between upstream due diligence programs and financial sector transaction due diligence processes are required</td>
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<tr>
<td><strong>3TG ASM sector</strong></td>
<td></td>
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<tr>
<td>• Lack of formalized, organized and legal upstream structures</td>
<td>• Work toward the formalization of the ASM sector</td>
</tr>
<tr>
<td>• There is a widely held negative perception among DFIs and banks that ASM is high risk and is not commercially viable.</td>
<td>• An awareness-raising and positive marketing campaign around the benefits, and importance to local economies, of ASM is required, led by a global convening organisation such as the OECD</td>
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</table>
### Upstream RMT due diligence

<table>
<thead>
<tr>
<th></th>
<th>Upstream due diligence programs focus on access to markets, not access to finance. There is no platform to bring together financial stakeholders and supply chain participants.</th>
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<tbody>
<tr>
<td></td>
<td>A multi-stakeholder platform approach involving global industry, finance and governments is required; and dialogue between banks and supply chain participants needs to be proactively fostered.</td>
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<tr>
<td></td>
<td>Cross-recognition, harmonisation and globally-recognised linkages between upstream due diligence programs and financial sector transaction due diligence processes is required.</td>
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<tr>
<td></td>
<td>Current transaction due diligence processes and supplier screening at refiners is binary and lead to ‘default disengagement’</td>
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<td></td>
<td>Promotion of progressive risk mitigation approaches at the refiner level is needed.</td>
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<td></td>
<td>There is a lack of compliant upstream actors: The burden of due diligence costs on miner communities creates an incentive to remain in the illegal/shadow economy</td>
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<td></td>
<td>There is a need to increasing the value generated from the formal trade of minerals through:</td>
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<td>o More efficient supply chains, involving fewer intermediaries (while acknowledging the importance of local providers of finance).</td>
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<tr>
<td></td>
<td>o Minimised due diligence costs, which can be achieved by leveraging and empowering local stakeholders and by promoting due diligence cost sharing / optimisation among supply chain participants.</td>
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<tr>
<td></td>
<td>Increase miners’ productivity by creating incentives for investment in appropriate equipment for ASM miners involved in responsible supply chains.</td>
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<td></td>
<td>Unlocking value from due diligence information as a value proposition for buyers/downstream players: this can be achieved by making locally available (as yet) untapped information on mineral extraction and trade more directly relevant to downstream supply chain actors, so as to involve them in the continuous funding of local transparency efforts.</td>
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Part three: Towards an integrated approach to overcoming ASM access to finance challenges

Below, we outline six design concepts for a financing facility to unblock access to finance for ASM. These six conceptual options are not mutually exclusive: in practice, elements could be drawn from each to develop a tailored approach.

**Option 1: Establish a financing facility within a bank or fund to provide ASM sector loans**

**Rationale:** There is a compelling logic to partnering with a local bank in DRC to rollout a working capital credit facility to meet the financial needs of ASM, given that domestic banks are the main existing providers of working capital loans in the market. Our research shows that progressive banks are willing and able, with some external support, to lend to artisanal 3TG operators.

**Structure:**

- **Private Congolese bank(s)**
  - Established and well-capitalised Congolese bank compliant with IFC Performance Standards with broad branch network
  - **Potential examples:** Rawbank; Trust Merchant Bank; First Bank

- **Credit + guarantees + monitoring**

- **Development finance (DFI or MFI)**
  - DFI/MFI in DRC provides loan guarantees and lines of credit on a concessional basis, with forms of collateral adapted to ASM, to be used by the bank to lend to ASM

- **Technical Assistance (TA) facility**
  - Functions as a sidecar to the lending unit: on-going support to get pre screened ASM investment ready from both financial + compliance perspective

- **Artisanal cooperatives / intermediaries / exporters**
  - With capacity-building support, artisanal operators become investment ready and OECD DD compliant*

- **Technology-enabled low cost DD/compliance self-reporting**

*Two-step process, starting with a pragmatic ‘light touch’ minimum level of compliance realistic for ASM (example here) + a pathway to full compliance

This approach can be applied equally to a local bank or impact fund. An example of the latter, which involves a more sophisticated graduated approach, is the Impact facility for Sustainable Mining Communities developed by The Dragonfly Initiative, which uses a performance-based approach for loans. The Impact Facility is based on three core principles: access to market, access to technical assistance, access to capital. The initiative's vision is that as traditional mining finance is not able/willing to finance ASM on its own, there is a need for innovative solutions that take into consideration non-financial returns (such as positive social and environmental impact) and prioritise “performance-based deals” over traditional concepts of collateral. Under this approach, The Dragonfly Initiative is initially working with
impact investors that are already familiar with the ASM sector, in an effort to achieve proof of concept which, in future, could attract a broader range of investors including DFIs.\(^\text{19}\)

### THE IMPACT ESCALATOR

<table>
<thead>
<tr>
<th>Access to Capital</th>
<th>Access to Capacity Dev</th>
<th>Access to Markets</th>
</tr>
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<tbody>
<tr>
<td>Fair terms for short-term equipment rent</td>
<td>Technical Assistance for Operational Improvements</td>
<td>International Markets</td>
</tr>
<tr>
<td>Fair terms for leasing equipment and loans</td>
<td>Technical Assistance for Operational Improvements</td>
<td>Preferred market for ‘Minamata’ gold</td>
</tr>
<tr>
<td>Fair terms for loans for capital and operational expenditure</td>
<td>Assistance for Certification Compliance</td>
<td>Premium Certified Markets</td>
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**Source:** [https://www.impactfacility.com/approach](https://www.impactfacility.com/approach)

**Objectives of an ASM financing facility housed within a local bank**

- Without support, local banks won’t lend to ASM because they view it as high risk (from a profitability/commercial standpoint) compared to safer alternatives such as government bonds, or asset-backed sectors such as real estate. The conservative culture in most DRC banks creates a preference to lend only to businesses that have regular cash flows where a lien on fixed assets can be established. As such, **a DFI/MFI-led risk sharing mechanism is required in order to stimulate local bank lending to ASM:** if a DFI/MFI partner (e.g. IFC or AfDB) provided loan guarantees and lines of credit to the bank’s SME portfolio, this would enable the bank to lend to high risk ASM while keeping Portfolio-At-Risk levels manageable.

- The DFI/MFI partner would help establish an **expert lending unit within the bank focused exclusively on the provision of flexible working capital loans to ASM.** This will build ASM-specific expertise within the banking institution, enabling bank staff to move beyond traditional asset-based financing to a more flexible lending approach based on (i) a strong understanding of how cash moves through the ASM sector; and (ii) strong expertise on the relevant due diligence processes and regulations. Loan criteria for artisanal operators would be graduated: initial requirements for starter loans could be limited to a simplified application form; basic cash flow projections and books of accounts; and flexible interpretations of collateral.

- In addition to loans, the unit would provide hands-on capacity building support to artisanal operators via a **Technical Assistance (TA) facility that acts a sidecar to the lending unit,** working closely with the unit to help ASM loan recipients to formalise, achieve scale and access larger follow-on loans.

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\(^{19}\) DFIs interviewed for this study asserted that a pilot would need to be focused on an established mine, with a track record of production, to be considered for DFI funding prior to proof of concept.
• We believe the World Bank Group would be the best sponsor of this kind of facility as the Bank currently has several programmes in multiple countries underway aimed at bringing artisanal mining into the official economy (see here).

Key risks to be mitigated

• **Legal, compliance and reputational risks** associated with the proposed lending activities.

• **Financial return risk** for the bank and the DFI/MFI partner.

• The related risk of failing to secure adequate deal flow/investment pipeline (i.e. not enough investment-ready artisanal operators)

• **Funding continuity risk and donor alignment** – to get the facility up and running, the DFI/MFI partner would need to put up the lines of credit and loan guarantees at the same time as a development agency or donor consortium (e.g. USAID, UK DFID, European Commission) commits grant funding to the TA facility (unless the sponsor for both parts is the same). Also, all donors would need to agree on a pared down set of ‘minimum standards’ for OECD Due Diligence Guidance compliance and due diligence self-reporting, as full compliance would be overly costly and burdensome for most artisanal operators. This is likely to be a challenge: as one CEO of a DRC-focused investment fund observed, “if you want to access DFI/MFI funding, you have to apply IFC ESG standards to every investment that’s made”.

• **Incompatibility with bank credit systems**: normal lending processes in DRC would require the borrower to put up at least 150% hard collateral; therefore, for a bank to get comfortable lending to artisanal operators, the programme sponsor would need to custom design a new credit process with the bank where innovative collateral requirements are introduced (e.g. recognising mining equipment, geological studies or off-take agreements as a form of collateral). Also, while bank lending to mid-sized and formal SME clients in DRC is typically at 15% - 22% rates of interest, there is no grace period on repayment of the principal; whereas for borrowing to be viable for artisanal operators in 3TG, a grace period would be necessary. The DFI partner would need to fund this on behalf of the bank.

• **Key person risk**: the success of the unit would depend on recruiting highly qualified and motivated loan officers and TA professionals who have strong networks in the DRC and other target markets.

Case study: Centenary Bank in Uganda

• Centenary Bank, based in Kampala with 71 branches and 1,000 bank agents, offers a good example of a donor-supported lending unit unlocking access to finance for micro-enterprises in a higher risk sector. Centenary has partnered with government entities and development partners to create an Agriculture Lending Unit to boost the provision of credit to farmer groups across Uganda (i.e. the ‘artisanal’ actors within the agricultural value chain).

• Under the Agricultural Credit Facility, the Bank of Uganda contributes 50% of each loan while Centenary contributes the other 50%. Centenary then lends to customers at low rates of interest (e.g. 12% interest for equipment, and 15% interest for grain trading). The scheme includes a
provision for a grace period of up to 3 years and flexible repayment based on the borrower’s actual cash flows.

- Under the aBi Finance Loan Guarantee Scheme and Line of Credit Programs, Centenary’s financial risk is much reduced. As a result, Centenary’s agriculture lending has grown over the years, more than doubling from Uganda Shillings (USH) 55bn in 2009 to over USH 114bn in 2013. As one agri-business advisor summarised: “the lesson from the Centenary Bank example is: grow and support from within. The key is to recruit capable bank staff with a willingness to learn about agribusiness, as well as to travel to rural areas. To build the bank’s appetite for agri-lending, the loan officers need to understand how and where money is made in the sector.”

**Option 2: Financing facility to support mining firms that integrate ASM suppliers**

**Rationale:** Under this approach, rather than lending directly to artisanal operators, a DFI/MFI-sponsored risk sharing financing facility would be established with local banks to provide concessional finance to mining companies that integrate artisanal mining into their production chain. This approach has the benefit of cost optimisation and efficiency, thanks to the higher volume formalised supply chains of industrial firms. Access-to-finance support to ASM would be indirect: better access to working capital (and/or cost optimisation) for the company would in turn mean better payment terms or inventory financing for artisanal miners on the mining concession via a structured offtake agreement that is more attractive than the alternative of smuggling.

The benefit of this approach is that the borrowers would be larger mining firms with better creditworthiness, thus boosting feasibility. As one analyst recently stated, “integrating artisanal miners in the DRC into the formal supply chain makes both economic and moral sense”. Another interview observed, “You need to de-risk it so that the off-taker has a viable business […] You need to make it easier – in terms of liquidity – for mining firms to pay decent and reliable prices to artisanal operators.”

This model is summarised in the graphic below:
Examples of DRC-based 3TG companies that integrate ASM into their production chain:

The Rubaya mine, a coltan mining project in North Kivu featuring a structured offtake relationship between the company and artisanal miners:

Societe Miniere de Bisunzu (SMB) owns and operates the Rubaya coltan mine in North Kivu, northwest of Goma. Rubaya is the biggest coltan (tantalum) mine in the DRC and is “probably the biggest formal artisanal mining exercise anywhere in the country”, according to one interviewee. SMB is reportedly buying $3mn to $5mn worth of coltan from roughly 3,500 artisanal miners each month. There are two parts to the concession: 1) an area where SMB works with day labourers (not organised into a cooperative) and provides equipment and other materials; and 2) an area where miners work for a cooperative that sells to SMB (where SMB acts more as a traditional exporter). SMB has (in theory) exclusive rights to buy the coltan produced by the cooperative, though its members are not employees. The Rubaya mine demonstrates that a partnership between the informal and formal mining sectors is possible, though highly challenging. Key issues include:

1) Liquidity squeeze and lack of access to local working capital finance: it is currently impossible for SMB to pre-finance purchases of coltan from artisanal miners via a local bank. As a result, SMB has faced major liquidity problems as the company is buying from artisanal miners in cash up front but is not paid by the end-buyers (smelters) around the world until several months later. However, the company could buy more product if affordable bridging finance was available. As of 2017, SMB reportedly needed a cash facility of approximately $20mn to bridge the financing gap between purchase costs and receivables.

2) Smuggling and side-selling: Even though SMB has exclusive rights to buy coltan from the areas of the Rubaya concession in which the cooperative works, a large quantity of minerals is reportedly still getting smuggled out, tagged with counterfeit iTSCI tags, and then taken to Rwanda and processed in Rwandan processing units. “The playing field is unfair: firms in Rwanda can pay more for coltan as they don’t have the same operating costs as firms in Congo”, stated one interviewee. “The absence of financial liquidity in the 3T sector in DRC is actually driving the smuggling […] When SMB has a liquidity problem – for example, when one of the end buyers in Asia doesn’t pay an invoice on time – the company is forced into a position where it cannot pay artisanal miners, and the miners are then incentivised to sell illegally into Rwanda rather than sit on their product.”

Solution: The lack of pre-financing for SMB means that each artisanal miner gets less for their coltan than they should because the off-taker/middle-man is taking all the financial risk. It also creates a structural cash flow problem for the off-taker, SMB. As such, there’s an opportunity to create a virtuous circle as follows: (i) unblock access to working capital finance locally for the off-taker, (ii) enable pre-financing and formal contracts with the artisanal producers, (iii) capture more of the value of the mineral domestically within DRC, and (iv) give the company more power within the value chain versus global buyers, allowing SMB to invest properly in ASM outreach. In short, making a flexible working capital facility available to a company like SMB would have three benefits: increasing the direct payments mining firms can afford to make to artisanal miners; reducing incentives for artisanal miners to smuggle cross-border; and keeping a greater percentage of the mineral value local, rather than offshore.
The Mongbwalu Gold Mine (MGM) in Ituri province in DRC

According to one interviewee familiar with MGM, the project is “largely industrial, but the licence area is also overrun by artisanals, so the operator is developing both the industrial operation and an artisanal offtake at the same time; the artisanal side of the business works via modular gold processing plants that are small and adaptive enough to take artisanally-mined gold.”

The Mongbwalu concession is located in the DRC’s Ituri region (Orientale province). The concession area covers approximately 2,240 square miles (5,800 sq km), with established groups of artisanal gold miners present throughout.

As one Reuters report observed, “[the solution at MGM] depends on establishing partnerships with cooperatives of about 100 diggers each, who will work limited plots that can be monitored for evidence of armed influence. They will be given better equipment and access to areas with high ore grades but which are not suitable for industrial mining. Most importantly their ore will be processed more efficiently at MGM’s industrial plant, allowing the company to pay them better than the smugglers […] ‘If MGM helps us with small things … people are going to accept it because they are looking for a livelihood and nothing else,’ said digger Freddy Ngoy […] But even if the initiative succeeds in Mongbwalu, there’s no guarantee other companies will be willing to replicate it […] The precedent is a difficult one for industrial miners to swallow because they like to deny the presence of artisanal miners on their concessions […] MGM estimates around 25,000 diggers mine its concession illegally. Others put the figure as high as 100,000. At most the new scheme will employ around 1,500 informal miners.”

Key risk: These case studies demonstrate that access to flexible working capital facilities is a key barrier preventing stronger partnerships between mining firms and artisanal miners. However, there are few examples of existing or potential informal/formal sector partnerships in the 3TG sector: we believe no more than 6-7 viable examples exist in DRC (other potential options include Lubumbashi-based Mining Mineral Resources (MMR) or Alphamin Resources’s Bisie Tin Project in North Kivu). Hence there is a risk that a donor-funded intervention focused on integration of ASM into formal production chains at mine-site level remains piecemeal and has no impact at scale.

As one interviewee commented, “You’d definitely need to pick which mining projects to focus on because the project economics of integrating ASM don’t always make sense, and you can’t force this […] There’s an inherent tension with ASM/industrial mining partnerships, which is that 99% of mining projects would be more efficient on a unit cost basis if artisanal operators weren’t involved. So, mining firms will see integration of ASM as a necessary nuisance, given how hard it is to expel artisanal operators from mining licences, rather than an end goal.”
Option 3: Inventory financing arrangement between refiner/smelter and exporter

**Rationale:** Under this approach, a global refiner/smelter would agree a partnership (inventory financing + offtake) with a local intermediary/exporter based in DRC that buys from legal, traceable artisanal 3TG suppliers. A third-party development partner would provide grant funding for an on-the-ground Technical Assistance facility to support the intermediary/exporter(s) and its ASM suppliers to (i) become fully OECD Due Diligence Guidance compliant, (ii) to improve monitoring and reporting, and (iii) to increase production volumes in order to make the arrangement commercially sustainable. The advantage of this approach is that the financing mechanism would benefit from the excellent terms of credit and capital market access that a large-scale global refiner/smelter enjoys. A potential weakness of this approach, however, is that dependence on a donor-funded facility means that the solution is not scalable, in contrast to alternative approaches that place low cost, data-based due diligence at the miner/exporter level at the heart of the approach.

**Case study:** In 2018, Switzerland-based gold refiner Valcambi announced it was entering into a long-term supply agreement with the Minera Limata Limitada mining co-operative Concession AFC 12 (LIMATA AFC 12), a small-scale mine near Puno, South Peru. The announcement stated, “Thanks to a collaboration between the refiner and Fairtrade, Valcambi enabled LIMATA AFC 12 to access global markets for the first time. [Benefiting from] Fairtrade’s existing on-the-ground relationship with the mine, Valcambi worked to develop the supply chain necessary to source and refine the mined gold, selling this on to high-end jewellery manufacturers. LIMATA AFC 12 and Fairtrade continued the path to certification, and the mine achieved this soon after the first sale [...] ‘We are taking a leadership role in ASM, using our sectorial weight to pull the sector,’ says Michael Mesaric, CEO of Valcambi.” This long-term supply agreement with a global refinery provides forward revenue visibility and may open-up opportunities for Minera Limata Limitada to access finance from Peruvian banks to fund investment in areas such as improving production efficiencies.

The Valcambi case study shows positive intent but is unlikely to be commercially sustainable on its own terms. In the DRC context, we believe that such an arrangement would only work if a global refiner partnered with an intermediary/exporter that is able to agglomerate meaningful production volumes, rather than with an ASM cooperative directly.

Option 4: ‘Hub and spoke’ exporter facilitation under a known/responsible exporter

**Rationale:** Under this approach, an association of local exporters and cooperatives would be established under a single responsible exporting company that (i) has a proven track record of exporting responsible gold sourced from artisanal operators; and (ii) has a competitive advantage thanks to its strong access both to finance and to global markets. The exporter would have sister entities registered in the DRC and in a global capital centre/end market, such as the United States. This would allow – for example – rollout
of a loan guarantee program to absorb the credit risk, backed by a development partner such as USAID’s Development Credit Authority (DCA) which could issue a loan in US Dollars to the exporter’s US entity.

**Key advantages:**
- Because access to advance payment is through a foreign company, there is no burden of transferring money directly to the high-cost / high risk DRC jurisdiction: the capital is used by the responsible exporter to purchase its own gold and the gold purchased by other exporters working under it.
- Local gold exporters and cooperatives will have access to a formal market that is more attractive than the smuggling economy, facilitated by a trusted exporter with a responsible sourcing track record.
- This approach improves the due diligence practices of upstream actors by being part of a supervised, responsible supply chain.
- This approach has the potential to achieve scale if the commercial benefits for participant upstream actors can be demonstrated on a consistent basis.

**Disadvantages:**
- Ensuring that the other exporters follow a strict due diligence process may prove challenging and expensive.
- There is a risk of excluding artisanal operators who are unable to achieve the required level of formalisation.
- The development partner (e.g. USAID, through its DCA program) would be directly supporting gold financing, which may not be feasible.
Further detail on USAID’s Development Credit Authority (source: USAID)

Key features

The DCA partial credit guarantee is designed to:
(1) Reduce risks to generate additional lending to underserved markets and sectors
(2) Demonstrate the long-term commercial viability of lending in developing markets

- The DCA’s guarantees are backed by the full faith and credit of the U.S. Treasury
- Typically, a 50% pari passu guarantee is provided on the loan principal (but not on the loan fee or interest)
- Share recoveries are pro-rata with USAID, net of reasonable expenses incurred
- Guarantee of non-sovereign debt capital
- Guarantee on disbursements, typically used for loan terms
- Flexibility to guarantee loan and/or foreign currency
- Loans are registered online in a simple internet-based Credit Management System
- Pre-approval not required for individual loans placed under portfolio guarantees
- Guarantees may be paired with USAID or other technical assistance projects designed to strengthen the borrower’s ability or repay, or to support the financial institution’s lending capacity in a new sector
- An origination fee is charged as a one-time up-front fee calculated according to the size of the facility. A utilisation fee is also charged semi-annually based on the value of the loans under guarantee.
Snapshot: United States International Development Finance Corporation (IDFC)

At the end of 2018, IDFC was created to consolidate the Development Credit Authority (DCA) of USAID with the Overseas Private Investment Corporation (OPIC) to provide loans, loan guarantees, and insurance to U.S. companies that invest or operate in developing countries. With a financing capacity of $60 billion in equity and debt, the IDFC is scheduled to become operational by the end of 2019.

**Option 5: Create stand-alone impact fund to lend to artisanal operators in 3TG**

**Rationale:** Under this approach, a development partner (or consortium) would capitalise a stand-alone debt fund/impact facility run by a professional fund manager. In our experience (e.g. in the agriculture sector) this approach can deliver strong results as it allows a specialised fund manager to move quickly, develop deep networks in the target sector and tailor loan products to meet specific needs.

**Example 1: XSML Capital**

XSML Capital is an SME-focused fund manager with offices in Kampala, Kinshasa and eastern Congo, with investments in Uganda and DRC. XSML has two funds: the $19mn Central Africa SME Fund which is fully invested and profitable (with loans disbursed to over 30 companies in a $200k to $1mn range, primarily in DRC) and the newer African Rivers Fund (ARF), which achieved first close in February 2016 at $50mn.

**Example 2: Matchmaker Fund Management**

Tanzania-based Matchmaker Fund Management has successfully deployed flexible debt finance (EUR 50,000-500,000 loans) to support the growth of smaller agri-businesses (typically 10 to 50 employees). The fund invests in SMEs that work with smallholder farmers and the deal team travels to every region of Tanzania to find agri-businesses that are not on the usual ‘donor circuit’, building personal relationships with these entrepreneurs. The fund is reportedly profitable and has returned funds to its DFI investors.

**Design considerations**

- We would recommend running a competitive selection process to find the best qualified fund manager to run a DRC-focused debt fund providing flexible working capital loans to artisanal operators at ticket sizes of $1,000 - $300,000, with interest rates of 15% - 22% (with a grace period on repayment), and with loan tenors of up to 4 years. This would be open to all fund managers but with a weighting in favour of those with an existing office, network and track record in the GLR. The fund would be capitalised with between $1mn - $15mn for an initial period of 3 - 5 years, plus a management fee; after this, e.g. on launching a second fund, the facility would become more self-sustaining with more commercial investors brought in.

- The fund should have an integrated and targeted TA facility that provides (i) a pathway to due diligence compliance; and (ii) hands-on coaching, market information and business-specific technical assistance to artisanal operators – working alongside the fund to gain the trust of ASM borrowers.

- The design process will benefit from consultations on the ground with Congolese investors, banks, entrepreneurs and government stakeholders to produce a contextualised blueprint/investment memorandum. This would include: (i) developing a clear outreach strategy to ensure ASM entrepreneurs are aware of the facility; (ii) developing a financial and information management model that includes real-time visibility of ASM investee cash flows, to enable the facility to make case-by-case decisions on adapting loan tenors if needed – the aim is to develop a partnership between the fund management team and ASM entrepreneur, rather than just a transactional relationship; and (iii) developing a clear rationale for the level of targeted financial return of the fund (this can be below market-rate for an initial period).
Key risks to this approach: (i) It may be impossible to crowd in DFI funding. As one fund manager we interviewed stated, “our DFI investors would go crazy on us if we lent to artisanal miners”; and (ii) as the same interviewee observed, “Nobody likes lending to cooperatives – who takes responsibility for repayment and what’s the governance structure?”

Option 6: Challenge fund for innovative and scalable solutions to ASM financing

Rationale: Under this approach, a development partner (or consortium) would sponsor a grant-giving Challenge Fund facility that disburses and monitors grants or repayable grants (i.e. zero interest loans) on a competitive basis to applicants with the best design concepts for innovative and scalable uses of technology to solve access-to-finance challenges for ASM. The Challenge Fund concept essentially places ‘multiple bets’ in recognition that some entrepreneurial ideas will fail, while others will gain traction, and this cannot be pre-determined. The application criteria should focus on simple and low-cost technology solutions leveraging mobile technology, mobile financial services, blockchain/distributed ledger systems, geospatial technology and/or (GIS) Geographic Information System mapping.

These solutions should aim (i) to solve “first mile” traceability challenges using open data, (ii) to address the lack of trust and formalisation in the ASM supply chain, and (iii) to empower artisanal miners versus obstructive actors such as monopoly negociants (mine site traders) and security forces that practice extortion. A further opportunity is technology applications that reduce due diligence costs and/or serve to integrate ASM into the exporter supply chain, creating transparency over transactions (e.g. mobile payments direct to individual miners) and providing a comparative advantage versus the smuggling option.

Example: The AECF is an example of a challenge fund in action in sub-Saharan markets. A stand-alone legal entity, the AECF was launched at the World Economic Forum in 2007 and launched its first competition in 2008. It has since grown from a US$34mn fund to the current US$256mn Enterprise Challenge Fund that has supported 257 businesses in 23 countries and has reached over 10 million people across the continent. It funds businesses in a number of sectors, namely, agribusiness, rural financial services, communications systems, renewable energy and adaptation of innovative technologies to combat climate change.

Design considerations

✓ The fund should prioritise applicants with business plans that offer a sustainable market-based, private sector solution to the access-to-finance challenges and lack of formalisation facing artisanal operators in the minerals sector.

✓ Applicants will need to present credible plans to mitigate the risk that technology solutions prove too complex for the intended users. In theory, distributed ledger/block chain solutions can create accountability for all actors in the supply chain, whereby if you ‘break the chain’ you end up on the lower half of a bifurcated market characterised by a high premium price for traceable product and a lower price for non-traceable product. However, most concepts currently in the public domain don’t cross the threshold into scalability/usability within the GLR’s challenging low-tech environment.

✓ The efficacy of the Challenge Fund could be enhanced with participation from large-scale telecoms and technology companies that bring not just grant funding but also innovation hubs/incubators in which grantees gain access to the companies’ global knowledge and IP.

20 In this context, ‘crowding in’ refers to the potential to mobilise and secure additional funding once an initial financing commitment has been made by an anchor investor.
Strengths and weaknesses of the X6 design options

Below, we provide a high-level verdict on the pros/cons of the six design options, ranked against key criteria:

<table>
<thead>
<tr>
<th>Summary assessment</th>
<th>Measurable improvement to ASM financial access</th>
<th>Tackles perverse incentives of the smuggling/shadow economy</th>
<th>Likely to win support from DFI/MFI/NGO backers</th>
<th>Market-based solution, financially sustainable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option 1</td>
<td>Challenging</td>
<td>Intermediate</td>
<td>Promising</td>
<td></td>
</tr>
<tr>
<td>Option 2</td>
<td>Challenging</td>
<td>Intermediate</td>
<td>Promising</td>
<td></td>
</tr>
<tr>
<td>Option 3</td>
<td>Challenging</td>
<td>Intermediate</td>
<td>Promising</td>
<td></td>
</tr>
<tr>
<td>Option 4</td>
<td>Challenging</td>
<td>Intermediate</td>
<td>Promising</td>
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</tr>
<tr>
<td>Option 5</td>
<td>Challenging</td>
<td>Intermediate</td>
<td>Promising</td>
<td></td>
</tr>
<tr>
<td>Option 6</td>
<td>Challenging</td>
<td>Intermediate</td>
<td>Promising</td>
<td></td>
</tr>
</tbody>
</table>

**Chart key**

| Option 1 | Establish a financing facility within a bank or fund to provide ASM sector loans |
| Option 2 | Financing facility to support mining firms that integrate ASM suppliers |
| Option 3 | Inventory financing arrangement between refiner/smelter and intermediary/exporter |
| Option 4 | ‘Hub and spoke’ exporter facilitation under a known/responsible exporter |
| Option 5 | Create stand-alone impact fund to lend to artisanal operators in 3TG |
| Option 6 | Challenge fund for innovative and scalable solutions to ASM financing |

**Summary and recommendation**

- Our primary recommendation would be to combine the most attractive elements of two of the highest-ranking options (i.e. Option 1 “Establish financing facility within a bank or fund to provide ASM sector loans”, and Option 5 “Create stand-alone investment fund to lend to artisanal operators in 3TG”).
- This would involve establishing an ASM lending unit within a leading local bank (selected on a competitive basis), with a ‘fund-like’ performance framework that provides a line of credit and properly incentivises the bank to lend to artisanal operators (e.g. with a bonus/financial upside for the bank if an agreed number of ASM sector loans are successfully extended and repaid).
• In effect, this approach combines the performance incentive structures of a fund into a traditional line of credit and/or loan guarantee scheme for a bank.

• The lending unit would be supported by a robust grant-funded Technical Assistance facility focused on due diligence compliance and capacity building for ASM loan recipients.

• In addition, we believe that Option 4 is a viable and useful approach for the gold sector in particular.
### Engagement strategy

The table below outlines a roadmap of actions and engagements for the PPA and/or other organisations seeking to engage with ASM to consider pursuing. The level of priority allocated in the table takes into account both the level of significance in terms of advancing the ASM access-to-finance agenda and the potential for organisations seeking to engage with ASM to achieve tangible impact. It is important to note the intrinsic link between access to finance for ASM and closer integration/partnerships between ASM producers and business partners in the supply chain: many of the highest potential opportunities for unlocking access to finance for artisanal operators involve strengthened business partner support and engagement, either directly through supply chain finance or indirectly through changes in business partner approaches to financing, risk mitigation and upstream engagement.

We identify three levels of engagement: funding, stakeholder engagement, and technical assistance.

<table>
<thead>
<tr>
<th>Category</th>
<th>No</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder</td>
<td>1</td>
<td>• Engage with the OECD to co-develop a multi-year global strategy / campaign to “re-brand” the image of ASM in the financial sector, and to bring more financial institutions into the dialogue on RMT in CAHRAs. The PPA and/or other organisations seeking to engage with ASM could form/convene a Task Force - jointly with the OECD - that includes progressive and influential financial institutions with a demonstrated commitment to progressing the ASM access-to-finance agenda.</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>2</td>
<td>• Engage with potential donors (e.g. World Bank/IFC, AfDB, USAID, etc.) to support the development of ASM expertise within leading local banks in the GLR</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>3</td>
<td>• Engage with LSM gold companies to promote the importance and benefit of the ASM sector (e.g. through the RAGS)</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>4</td>
<td>• Engage with DFIs/MFIs to raise awareness of (and demonstrate with evidence-based research) the significance of the ASM sector as a critical and under-appreciated driver for social and economic development in CAHRAs.</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>5</td>
<td>• Engage with downstream firms to apply pressure on financial institutions to engage with ASM and to reward responsible sourcing.</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>6</td>
<td>• Engage with trade associations (LBMA, RJC, RMI) to promote proactive risk mitigation rather than default disengagement. This could include co-development of model risk assessment decision-making processes.</td>
</tr>
</tbody>
</table>
Stakeholder engagement

7 • Engage with downstream firms to promote better cost optimisation of upstream due diligence. Leverage the demand of downstream players for access to valuable upstream information.

8 • Engage with MFIs and DFIs to implement a guarantee program jointly with a local bank targeting the ASM sector in the GLR, in order to create a demonstration effect for a local financial sector that historically has not engaged with ASM or viewed the sector as commercially viable.

9 • Promote lessons learned from impact investors’ experience in investing in the ASM sector to attract a broader range of financial institutions into the sector. This could include a communication campaign focused on promotion of success stories and debunking negative perceptions.

Outreach

10 • Support efforts to harmonise mining and mineral trade taxes across the GLR

Funding

11 • Support initiatives that promote a performance-based, sub-commercial approach for ASM loans that recognises the significant non-financial positive ‘returns’ on offer from unlocking access to finance to ASM.

12 • Support existing and planned initiatives which increase the value to upstream players generated from formal trade in 3TG (i.e. initiatives that make the ASM sector commercially attractive)

Technical assistance

13 • Support the development of globally recognised benchmarks and standards to link upstream due diligence programmes to financial sector transaction due diligence: work with relevant stakeholders such as the OECD on the alignment of minerals due diligence reporting and financial due diligence requirements. This work could begin with the formation of a working group of global banks with broad representation (meeting bi-monthly in-person or by conference call to share experiences and approaches to date and to work towards a draft framework).

Critical success factors

✓ To achieve impact and behavior change among the global financial community, any planned initiative should include financial institutions not just from the US but from a broad range of global capital centers, as attitudes toward ASM in CAHRAs differ between banks in the US, Europe, the Gulf (e.g. Dubai), Africa and Asia.

✓ We recommend focusing on partners that are genuinely willing and able to support the PPA’s goals. This will require (i) conducting an in-depth stakeholder prioritization exercise tailored to the specific project/programme objectives; and (ii) recognizing that governments in the GLR often support initiatives (e.g. on
tax harmonization) rhetorically, but to date have largely not implemented necessary changes. On a more practical level, it will be important to secure commitment from members (including governments) up front that they can allocate sufficient time, and have capacity, to help deliver on the programme’s goals.

- Alignment with existing programmes and organizational structures will be crucial. Any planned new PPA-led programme should begin with a comprehensive mapping of existing initiatives that may overlap, with a view to aligning resource commitments and objectives to the fullest extent possible. An example in this context is the five-year USAID-funded Commercially Viable, Conflict-Free Gold (CVCFG) Project, which seeks to strengthen the responsibly sourced gold supply chain originating from eastern DRC. This project “aspires to improve access to markets for artisanal and small-scale mining cooperatives and facilitate international responsible ASM gold trade” and is led by Global Community.

- Effort should be focused on projects or programmes that are long-term, scalable and market-driven (i.e. effect positive behavior change through price signals and cost competitiveness, rather than through regulations or one-off investments).

- The programme design process should recognize that issues limiting ASM access to finance cannot be treated in isolation; rather, they are intrinsically linked to the wider barriers to ASM formalization.

- Any new programme should include a sustainable funding model. This means, for example, that if PPA leads on the creation of a new multi-stakeholder platform to bring together actors involved in upstream due diligence schemes and financial due diligence processes, the resourcing for this should – in the long run – become self-sustaining. Donor funding can kick-start the platform, but self-funding platforms (e.g. based on collection of member fees) are more self-sustaining in the long term and ensure that members have ‘skin in the game’.
Key messaging and outreach recommendations

Below, we highlight key messaging points required to change mindsets and processes in order to unblock formal-sector financial flows to artisanal operators in the 3T + gold sectors:

1) Artisanal mining deserves a re-brand among downstream actors:

- We need to demystify artisanal mining, which employs ≈12 million in DCR alone, and change the negative image attached to it by global banks and miners. SME-focused banks will lend to farmer cooperatives but not to ASM, yet ASM operators are often more solvent, and this comes down to a perception issue.
- Global convening organisations such as the OECD or recognised industry associations are best placed to lead this effort, in partnership with banks, refiners/smelters and traders.

2) We need a global platform to (i) promote dialogue between banks and supply chain actors; and (ii) to harmonise financial and non-financial due diligence standards

- A platform for regular multi-stakeholder dialogue between banks and supply chain actors would help to raise awareness among financial institutions of the commercial opportunity presented by responsible/complaint artisanal miners, and of the scale of the contribution of ASM to local economies (e.g. gold ASM represents a fifth of global supply). The platform could also produce evidence-based research on responsible ASM sourcing and financing, providing proof points to build an outreach campaign around.
- A key focus for such a platform would be (i) to familiarise financial institutions with existing and planned due diligence schemes and the types of collateral that function best for ASM; and (ii) to develop a roadmap towards harmonisation and alignment of key due diligence standards such as the OECD Guidance and IFC Performance Standards (the main global metric used by financial institutions). Ideally, a low-cost minimum standard would be developed for ASM that enables compliance without excessive due diligence costs as an initial step that unblocks access to finance on a journey towards full compliance. The open source approach taken by CRAFT is a significant positive step towards this goal. As one interviewee observed, “certification schemes such as Fairtrade and Fairmined could be leveraged to reassure banks”. Another stated, “there is a need to better communicate how upstream supply chain participants are compliant with different due diligence standards.”
- We believe there are important lessons and best practices to be learned from the formation of multi-stakeholder coalitions designed to change behaviour in the financial sector in other areas, such as in climate finance and green bond initiatives. One lesson from these programmes is that direct government involvement in a multi-stakeholder platforms can reassure banks and help prompt positive behaviour change.
3) We need to shift bank and refiner decision-making from a default position of disengagement to one of proactive risk mitigation

- Currently, when potential reputational risks are pre-identified, or a loan applicant lacks the required paperwork, the response by banks is to disengage entirely, thus blocking financial access for smaller borrowers. Instead, we need to advocate for a change in bank culture to seek collaboration – rather than default disengagement – with upstream supply chain participants, based on jointly developed risk mitigation measures and an incremental approach to reaching compliance. Refiners typically adopt the same default approach – rather than pursuing risk mitigation measures, refiners tend to respond to preliminary identification of risk issues by simply disengaging from the potential supplier, thus blocking market access for smaller-scale operators. Due diligence programmes should engage with external stakeholders (e.g. downstream companies, banks, CSOs and governments) to explain the role and benefits of proactive risk mitigation and monitoring.

- In some cases, as in refiner and smelter-level DD programmes, a blueprint for a behaviour change towards engagement with responsible ASM sourcing is already available (e.g. see the Appendix on ‘Suggested measures to create economic and development opportunities for ASM’ of the OECD Guidance) but is largely ignored.

4) A targeted outreach campaign is required, focused on the leading industry association(s)

- To engage in outreach with the broad universe of global financial institutions involved in mining, SME and emerging market finance, working through a recognised association to advocate to specific members would be beneficial. In the gold sector, the best partner would be the London Bullion Market Association (LBMA), which has a wide membership and exerts industry influence through its ability to delist companies from the LMBA Good Delivery List. There is a clear opportunity, for example, to support LBMA’s 146 members located in more than 30 countries to recognise and make use of an LBMA-led recognised database of responsible sourced ASM gold, which in turn could leverage upstream due diligence programmes. In combination with an awareness-raising programme to improve understanding of ASM, this could open up access to finance for qualified/certified ASGM producers.

- The LBMA’s audit assurance programme (which includes a list of audited refineries / good delivery list) can be used as a template for an ambitious recognition programme for ASM responsible sourcing programmes (some of which – such as the incremental/graduated Fairmined model, Fairtrade and the CRAFT programme – are already recognised).

5) Position the OECD as a global leader on practical guidance for how financial institutions can engage with ASM effectively

- The OECD is well-placed to develop guidance on due diligence for financial institutions to engage in the ASM sector, tailored to fit with banks’ internal systems and ways of working (loan decisioning; collateral recognition; etc). This effort could be accompanied by an awareness-raising campaign around the importance of ASM to the local and global economy. Both initiatives would benefit from an OECD-led multi-stakeholder steering group (including broad representation from global financial institutions) that creates a bridge between learning and participation in upstream due diligence programmes on the one hand, and financial sector transaction due diligence on the other. We understand efforts are already under way in this area (including participation from ABN
AMRO). It will be important to raise awareness among financial institutions of the due diligence processes already undertaken in the responsible minerals sector and how these could link to traditional bank KYC/AML checks.

- A medium-term end goal could be development of a clear, commonly agreed set of benchmarks and terms for financial institutions to use when financing responsible ASM trade (e.g. a basic minimum standard of DD compliance linked to the OECG Guidance that is required to access starter loans; and continuous improvement towards full compliance and greater financial access)

6) Conduct outreach with the jewellery industry to promote downstream buyer demand for responsibly sourced gold

- Jewellers can play a pivotal in applying pressure on key supply chain actors – such as gold refiners – to promote more responsible gold, and to adapt due diligence processes to allow for purchasing of responsible ASGM.
- Outreach efforts should also focus on better collaboration and coordination within larger global companies. This would address the current disconnect between procurement departments and CSR departments.

Stakeholder engagement plan

In the table overleaf, we map the stakeholders we consider to be the most influential and relevant in the context of improving access to finance in RMT from the GLR. This table is intended to give direction for engagement, as well as an overview of each stakeholder group. For each stakeholder, the level of importance/influence and their current level of support for access to finance is ranked as low, medium or high.

As outlined above, a key theme underpinning this stakeholder mapping exercise is that access to finance is not only about linkages between ASM and financial institutions; rather, whether directly or indirectly, supply chain business partners lie at the heart of many of the critical barriers and opportunities to improving access to finance for artisanal operators.

We have identified 4 stakeholder groups:

- Stakeholder group I: Upstream actors
- Stakeholder group II: Midstream / downstream actors
- Stakeholder group III: Finance
- Stakeholder group IV: Development partners
### Stakeholder group I: Upstream actors

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<tr>
<th>Type</th>
<th>Position and background</th>
<th>Level of support</th>
<th>Level of influence</th>
<th>Recommendations / talking points</th>
<th>Recommended PPA role</th>
</tr>
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</table>
| **3TG exporters** | - The most effective and formalised upstream actor, but still facing challenges in accessing finance to support their activities due to their high-risk status and due to the high compliance risk / low financial returns associated with ASM  
- Provide pre-finance to mining operators / cooperatives / local traders  
- Characterised by lack of compliant upstream actors / lack of low cost and scalable DD schemes,                                                                 | High             | High              | - Potential to mitigate their high-risk profile by working toward the formalization of their supply chain (in terms of more efficient business relations, and promotion of closed-pipe models of ASM off-take)  
- Work toward supply chains with fewer actors involved (reduced fragmentation supports due diligence/traceability and lowers cost)  
- Strengthen supplier engagement to secure production and to implement due diligence requirements  
- Work toward the development of a large-scale ‘hub’ exporter / facilitator (in the gold sector)  
- Leverage their access to finance to support their suppliers engaged at the extraction level i.e. mining operators / cooperatives (in terms of production efficiency and due diligence compliance) | Support existing and future initiatives that increase the value generated for upstream players (exporters and their ASM suppliers) from formal trade in 3TG.  
‘Hub’ exporters the key actors in the access-to-finance equation: resolving this bottleneck would pave the way for commercially viable ASM RMT in the GLR                                                                 |
| LSM companies  | - Higher financial returns than in the ASM sector, though LSM in the DRC still struggles to raise finance in global capital markets due to the high level of jurisdictional risk.  
- 3T is a subscale sector with few LSM actors (in the                                                                                                                                          | Low              | High              | - Potential to incorporate ASM extraction and trade into LSM gold business models, and to use LSM access to finance to support ASM. There are few relevant LSM actors in the 3T sector. | Engage with LSM gold companies through influential associations and forums to generate awareness of, and support for, the importance and benefit of the ASM sector |
GLR); likewise, there are few LSM gold producers in DRC (Kibali Gold/Randgold and Banro are among the only examples)

- LSM companies can be key actors to leverage their relatively strong access to finance to support the ASM sector (particularly in the gold sector)

**Mining operators / cooperatives**

- Many are extremely high-risk status actors (much more so than 3TG exporters), which impedes access to finance (especially access to capital to support trading operations). As a result, mining operators and cooperatives have limited leverage with financial institutions

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
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</table>
  | Medium | - Strengthen engagement between mining operators / cooperatives and their business partners (local exporters) to benefit from consistent inventory financing (from midstream actors) and potentially from credit / loan facilities from financial institutions
  | Medium | - Reinforce formalization (through third-party donor-led technical assistance and support)
  | Medium | - Promote ASM aggregation in terms of both supply volumes and the formation of recognised associations/platforms of responsible artisanal operators.

**Regional Governments**

- Key actors to manage structural issues but the high level of corruption\(^ {21} \) and low governance capacity\(^ {22} \), particularly in

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
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</table>
  | Low (3T) | - Strengthen the dialogue among ICGLR member states to effectively implement the RINR, notably the harmonisation of legislation as requested by the Regional Certification Mechanism
  | Medium (3T) | Support efforts to harmonise mining and mineral trade taxes across the sub-region, not just at the level of written regulations

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\(^ {21} \) The DRC was ranked 161 of 180 countries in the 2017 Transparency International’s Corruption Perception Index: [https://www.transparency.org/country/COD](https://www.transparency.org/country/COD)

| DRC, impedes ability to effect change | • Differences in export taxes and other regulatory indicators promote cross-border smuggling of minerals, especially gold. | Low (gold) | High (gold) | • Engage with telecoms and mobile financial services companies to increase the offering and coverage in the GLR | but in terms of actual implementation |
| Upstream DD schemes / initiatives and upstream assurance support | • For upstream actors, being part of an upstream DD scheme or upstream assurance support is often a necessary (though not sufficient) condition to obtain access to pre-financing from business partners. However, existing initiatives produce information that is overly centralized and / or underutilized. | High | High | • Leverage upstream due diligence information: e.g. upstream due diligence information can be used to support and expedite financial due diligence requirements | Support the development of benchmarks and standards to link upstream due diligence programmes to financial sector transaction due diligence: work with relevant stakeholders such as the OECD and banking associations on the alignment of minerals due diligence reporting and financial due diligence requirements |
### Stakeholder group II: Midstream / Downstream actors

<table>
<thead>
<tr>
<th>Type</th>
<th>Position and background</th>
<th>Level of support</th>
<th>Level of influence</th>
<th>Recommendations / talking points</th>
<th>Recommended PPA role</th>
</tr>
</thead>
</table>
| 3T International traders | • Trade 3T minerals from local exporters in the GLR  
  • Main providers of pre-financing for 3T upstream actors (but only for trusted upstream business partners)  
  • Have access to upstream minerals due diligence information | Medium           | Medium            | • Boost the security of global traders’ agreements with their off-takers to reassure their financial partners  
  • **Participate in efforts to enhance the perception of ASM in the financial community by leveraging upstream due diligence information:** Better communication with their financial partners about the due diligence information that they receive from their upstream business partners is needed | Support the development of benchmarks and standards to link upstream due diligence programmes to financial sector transaction due diligence: work with relevant stakeholders such as the OECD and banking associations on the alignment of minerals due diligence reporting and financial due diligence requirements |
| Gold international traders | • Some international gold traders facilitate the illicit trade of gold from DRC to Uganda/Burundi and Rwanda  
  • Re-sell the gold to non-OECD compliant refineries based in the GLR or directly to buyers in Dubai | Low              | Low               | • N/A                                                                                             | N/A                                                                                                                                                        |
<p>| Smelters              | • Import 3T minerals from the GLR                                                      | Low              | Medium            | • Enhance their commitments with international traders (offtake agreements)                       | Support the development of benchmarks and standards to link upstream due diligence family and financial due diligence requirements                                    |</p>
<table>
<thead>
<tr>
<th>Refineries</th>
<th>End-users</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Import gold from the GLR</td>
<td>• Make use of 3T minerals from the GLR in their final products</td>
</tr>
<tr>
<td>• Default to disengagement with regard to ASM gold</td>
<td>• Are generally risk-averse regarding ASM minerals from CAHRAs</td>
</tr>
<tr>
<td>• Have Direct access to upstream minerals due diligence information</td>
<td>• Consumer-facing brands are increasingly accountable for challenges at the origin of their mineral supply chain: they face to</td>
</tr>
<tr>
<td>• Are a key actor in providing pre-financing to suppliers</td>
<td></td>
</tr>
<tr>
<td><strong>Medium</strong></td>
<td><strong>High</strong></td>
</tr>
</tbody>
</table>

| **Enhance the perception of ASM in the financial community by leveraging upstream due diligence information:** Better communicate to financial partners the due diligence information received from their upstream business partners | **Promote proactive risk mitigation rather than disengagement regarding ASM** |
| **Enhance the perception of ASM in the financial community by leveraging upstream due diligence information:** Better communicate to financial partners about the due diligence information received from their upstream business partners is needed. | **Promote more transparency in their supply chain (better access to upstream information)** |
| **Enhance the perception of ASM in the financial community by leveraging upstream due diligence information:** Better communication with their financial partners about the due diligence information received from their upstream business partners is needed. | **Jewellers should enhance their commitments with their suppliers (to procure responsible ASM product)** |
| **Enhance the perception of ASM in the financial community by leveraging upstream due diligence information:** Better communication with their financial partners about the due diligence information received from their upstream business partners is needed. | **Work toward a cost optimisation of upstream due diligence** |
| **Engage with trade associations (LBMA, RJC, RMI) to promote proactive risk mitigation rather than default disengagement** | **Engage with downstream firms to apply pressure on financial institutions to engage with ASM and to reward responsible sourcing** |
| **Support the development of benchmarks and standards to link upstream due diligence programmes to financial sector transaction due diligence:** work with relevant stakeholders such as the OECD on the alignment of minerals due diligence reporting and financial due diligence requirements | **Engage with downstream firms to move towards better cost optimisation of upstream due diligence.** |
Growing pressure from investors, consumers, CSOs and regulators (e.g. EU regulation). In order to protect their brand, companies must demonstrate the minerals contained in their products contribute to positive outcomes on the ground.

- Lack access to upstream data
- For the most part, end-users do not contribute to upstream DD costs (apart from supporting initiatives such as EPRM, PPA, iTSCI membership, RMI’s new upstream due diligence fund, or isolated upstream social projects)

### 3TG Trade associations

- The most prominent trade associations are RMI (3T, cobalt, gold), LBMA (gold, silver), DMCC (gold), and RJC (gold, platinum)
- These associations are starting to recognize the value of ASM (e.g. recognition of upstream DD initiatives focused on ASM)
- Through the influence of their members and the “pressure” of the audit assurance program, they are able to promote REM (and access to finance via business partners)

### High

- Develop an awareness-raising programme to improve understanding of ASM (including raising the awareness of financial institutions regarding their audit assurance programmes – i.e. leveraging their standards)
- Engage with external stakeholders (e.g. downstream companies, banks, CSOs and governments) to explain the role and benefits of proactive risk mitigation and monitoring

### Medium

- Leverage PPA influence to obtain access to valuable upstream information.

| 3TG Trade associations | • Lack access to upstream data | • For the most part, end-users do not contribute to upstream DD costs (apart from supporting initiatives such as EPRM, PPA, iTSCI membership, RMI’s new upstream due diligence fund, or isolated upstream social projects) | • Develop an awareness-raising programme to improve understanding of ASM (including raising the awareness of financial institutions regarding their audit assurance programmes – i.e. leveraging their standards) | • Engage with trade associations (LBMA, RJC, RMI) to promote proactive risk mitigation rather than default disengagement |
### Stakeholder group III: Finance

<table>
<thead>
<tr>
<th>Type</th>
<th>Position and background</th>
<th>Support</th>
<th>Importance</th>
<th>Recommendations / talking points</th>
<th>Recommended PPA role</th>
</tr>
</thead>
</table>
| Congolese private banks / Congolese Banking Association | • Have conservative lending cultures  
• Is operating under restrictive currency and banking regulations  
• Are key actors to leverage in support of scalable and self-sustaining access to finance solutions for RMT | Low | High | • Importance of developing bank collateral adapted to ASM assets  
• There is a need to develop in-house expertise on the ASM sector (in terms of risk assessment – minerals DD processes, market potential, ASM technical assistance, etc) | • Engage with MFI and DFIs to design/co-develop a guarantee program that enables commercially viable lending by local banks to the ASM sector  
• Engage with potential donors to support development of ASM expertise within local banks (e.g. creation of stand-alone ASM lending unit) |
| Global banks | • Lack understanding of the ASM sector  
• Are highly risk-averse regarding ASM sector and CAHRAs  
• Are key actors to leverage to financially support 3TG supply chain participants | Low | High | • Global banks will benefit from developing a stronger understanding the potential for alignment and efficiencies between due diligence programmes and financial sector transaction due diligence | • Support the development of benchmarks and standards to link upstream due diligence programmes to financial sector transaction due diligence: work with relevant stakeholders such as the OECD on the alignment of minerals due diligence reporting and financial due diligence requirements |
| Impact investors | • Some impact investors have the flexibility to develop and proactively mitigate the risks associated with ASM, and | High | Medium | • The impact investing sector is in the vanguard of driving behaviour change in the wider financial sector (e.g. in relation to alignment of investment) | • Promote lessons learned from impact investors’ experience in investing in the ASM sector to attract |
consequently to invest in the support of ASM
  - Asset owners and asset managers in the impact investing landscape can take a lead in awareness-raising over the importance of ASM, and in developing innovative blended finance models to channel finance to ASM (e.g. blending grant-funding, first-loss/sub-commercial catalytic capital and commercial capital under a single structure)

- criteria in the mainstream investment community with the SGDs); this capability to effect behavior change and table new ideas could be put to use to educate mainstream financial institutions on the importance and legitimacy of ASM as a sector
  - An example of an influential forum for impact investing is the New York-based Global Impact Investing Network (GIIN), whose investor council and fund manager network includes 400+ impact investors worldwide.

greater participation by financial institutions

<table>
<thead>
<tr>
<th>Stakeholder group IV: Development partners</th>
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</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
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</table>
| DFI s / MFIs | • DFIs/MFIs require that all financing recipients meet IFC Performance Standards. Note that DFIs which are investing taxpayer funds for a financial return appear to have more stringent criteria and stick more closely to full IFC Performance Standards than MFIs which are more aligned to the priorities of host countries | Medium | High | • Work toward the alignment of upstream due diligence programmes to financial sector transaction due diligence  
  • Engage on upstream capacity building solutions  
  • Adapt loan guarantee programs to fit the needs of the ASM sector | • Engage with DFIs/MFIs to raise their awareness of the significance of the ASM sector as a driver for social and economic development in CAHRAs  
  • Support the development of benchmarks and standards to link upstream due diligence programmes to financial sector transaction due diligence: work with |
| OECD | Key actor in the promotion of RMT in CAHRAs. Influential through engagement with a diverse spectrum of stakeholders | High | High | A potential lead on ‘re-branding’ ASM amongst downstream and finance actors.  
• Potentially able to lead a platform association bringing together supply chain participants and banks  
• Able to lead on harmonization of DD standards (RMT and financial) | Engage with the OECD to “re-brand” the image of ASM and include more financial institutions on discussion regarding RMT in CAHRAs  
• Support the development of benchmarks and standards to link upstream due diligence programmes to financial sector transaction due diligence: work with relevant stakeholders such as the OECD on the alignment of minerals due diligence reporting and financial due diligence requirements |
| Well placed to implement loan guarantee program(s)  
• E.g.: BIO, CDC, USAID, World Bank Group; IFC; AfDB  
• For private sector lending activities, the International Finance Corporation (IFC) is the lead entity within the World Bank Group | | | relevant stakeholders such as the OECD on the alignment of minerals due diligence reporting and financial due diligence requirements |
The graphics below present an illustrative snapshot of the key stakeholders in the 3TG sector in the GLR. Each stakeholder is mapped according to their level of importance in the context of improving access to finance for ASM and their likely level of support for improving access to finance in RMT from the GLR.

**Key stakeholders in the 3T sector**

**Intro:** The graphic below presents an illustrative, stylised snapshot of the key stakeholders in the 3T sector in the GLR. Each stakeholder is mapped according to their level of importance/influence and their level of support for PPA’s objectives.

**KEY:**
- **U** Upstream
- **M** Midstream
- **D** Downstream
- **F** Finance
- **DP** Development partner

**Level of support for improving ASM access to finance**

- **High support**
  - MFIs (e.g. World Bank Group; IFC; AfDB)
  - DFIs (e.g. BIO; CDC; USAID)
  - Exporters (e.g. OECD)
  - DD schemes (e.g. BSP/GeoT; ITSCI)
  - Impact investors (e.g. XSML Capital; Matchmaker Fund Management)

- **Low support**
  - ASM: cooperatives and individuals
  - Trade associations (e.g. RMI)
  - Electronic retailers (e.g. Apple; Samsung)

**Level of importance**

- **High priority**
  - Congolese private banks/associations (e.g. Rawbank; TMB; First Bank)
  - Global Banks (e.g. Standard Chartered; Citi Bank)
  - LSM (e.g. Alphamin; SMB)
  - Smelters (e.g. MSC, Thaisarco)
  - Traders (e.g. Traxys; Trademet)

- **Low priority**
  - Regional Governments (Rwanda: RMB and MNR; Uganda: MEMD)
Key stakeholders in the gold sector

Intro: The graphic below presents an illustrative, stylised snapshot of the key stakeholders in the gold sector in the GLR. Each stakeholder is mapped according to their level of importance/influence and their level of support for PPA’s objectives.

**KEY:**
- **U** Upstream
- **M** Midstream
- **D** Downstream
- **F** Finance
- **DP** Development partner

**High priority**
- **U** Regional Governments (Rwanda: RMB and MNR; Uganda: MEMD)
- **F** Congolese private banks (e.g. Rawbank; TMB; First Bank)
- **F** Global Banks (e.g. Standard Chartered; Citi Bank)
- **F** LSM (e.g. Kibali Gold, Mongbwalu)
- **M** Industry association: DMCC

**Low priority**
- **U** ASM: cooperatives and individuals
- **D** Jewelers (e.g. Signet; Cartier)
- **M** Industry associations: LBMA; RJC

**Level of support for improving ASM access to finance**
- **Low support**
- **High support**

**DFIs** (e.g. BIO; CDC; USAID)
- **DP** OECD
- **U** Exporters (e.g. Fair Congo)
- **DP** Assurance support (e.g. ARM, IMPACT)

Engage jointly on lending solution
The diagram below provides a snapshot of the areas of intervention for the identified key stakeholders (outlined above) to focus upon. We have prioritised these intervention areas according to their level of significance and according to the potential for external actors to achieve meaningful change.

Prioritising areas of intervention

We have coded barriers in the diagram above according to areas of intervention as follows: 1) structural aspects (lack of government capacity, high level of corruption etc) in light blue; 2) ASM sector – blue; 3) local banking sector – purple; 4) standards – orange; and 5) outreach – pink.
Annex 1. Interview and report extracts

Interview extracts: DRC-based executives

The section provides a snapshot of viewpoints and perspectives from Congolese banking executives (including prominent member of the Congolese Banking Association), Kinshasa-based lawyers, auditors, financial advisers, and traders:

Key findings from this subset of interviews:

- Local banks in DRC do not have the capacity or financial strength to pre-finance large-scale mining (LSM) projects, meaning that they have relatively little experience in the mining sector. Local banks typically play a pass through/intermediary role on behalf of global banks in transactions in the LSM sector, partly driven by localisation requirements in Congolese legislation.
- For LSM projects in DRC, the two leading global banks with branch offices in Kinshasa that lead the majority of transactions are Standard Bank and Citibank. Meanwhile the leading local players are: Ecobank (a pan-African player) Rawbank, TMB and BCDC.
- Few, if any, local banks work directly with artisanal mining operators.
- Local banks in DRC are keenly aware of the negative reputation they and their country have abroad, and wish to correct this.
- The ambient level of operational and regulatory risk is so high in the Congolese market that even with a first loss guarantee, it may prove challenging to encourage local banks to lend to ASM at affordable rates of interest.
- Very few banks have any branch or loan officer presence near to the main 3T + gold mine sites in eastern DRC.

Part one: Role of DFIs and MFIs in the Congolese financial sector

- The World Bank, the African Development Bank (AfDB) and other DFIs/MFIs do finance sectoral projects in the DRC, and in the past both institutions have provided funding for risk-sharing facilities designed to reduce bank lending risks and stimulate lending in the country. An example is Fonds Pour l'inclusion Financière en RD Congo (Financial Inclusion Fund in DR Congo - FPM), created in 2010 to promote financial inclusion in the DRC by technically and financially supporting financial institutions that target SMEs (FPM is backed by UNDP, UNCDF, KFW, the World Bank, and the German and Swedish development agencies).
- For private sector lending activities, the International Finance Corporation (IFC) is the lead entity within the World Bank Group, while for guarantee mechanisms, the Multilateral Investment Guarantee Agency (MIGA) is the lead entity.
- However, interviewees for this report observed that the IFC (represented in Kinshasa by Richard Warugongo, Principal Investment Officer) has faced significant challenges in its investments in DRC in recent years and is scaling back activities in the country.
- Meanwhile, AfDB and DFIs with investments in DRC such as CDC Group and BIO are focused on the agricultural sector, not mining.

Part two: Role of local financial institutions

“Any offtake agreement in the mining industry is financed by an international bank. This is for the simple reason that DRC banks don’t have the capacity to pre-finance. Together, DRC banks represent [only] 700 million USD in capital and 4 billion of deposits.” Bank executive and member of the Congolese Banking Association (CBA)

“We only work with established companies that carry the correct [documentation and] licenses from the CEEC (‘Le Centre d’Expertise, d’Evaluation et de Certification des Substances Minérales Précieuses et
Semi-Précieuses de la République Démocratique du Congo’), a part of the Ministry of Mines.”

**Bank executive and member of the CBA**

“With high levels of corruption, insecurity and the presence of armed groups, this is not a normal commercial environment […] It’s frustrating to see how lots of Rwandan banks have offices right at the border with DRC… They [Rwanda and Zambia] don’t have the minerals in the ground in their countries [but they have an easier operating environment]. In Rwanda and Zambia, they just don’t ask for any justification from suppliers — “no papers, no problem”. Zambia and Rwanda don’t have such a bad reputation: they are unfairly considered pretty “clean”, and they have less strict regulations to comply with compared to Congolese banks. For example, we [Congolese bank] have to deal with very strict currency exchange rules and we lose a lot [of business] like this.”

**Bank executive and member of the CBA**

“In the DRC, there are only a few local banks involved in mining projects (I believe Rawbank, BCDC and TMB are examples), but the big capital comes from banks abroad in the form of large syndicates. The local banks are just too small to do this. DRC banking regulations restrict banks to a maximum single exposure of 25% of their share capital, which doesn’t take them very far. Also, the mistrust towards local banks [by outside partners] is a huge factor […] Congolese banks do offer other products to mining companies such as "découverts" or short-term working capital loans, but they will not finance bigger corporate projects.”

**Executive who formerly worked on a Work Bank-supported financing programme for banks and MFIs in DRC**

“International banks have to work via a local bank in the DRC because of international and national bank regulations. There are only two intermediary banks present in the DRC that international banks feel comfortable working with: Standard Bank and Citibank, both of which only do corporate lending. Other local banks in the DRC are mostly in the retail banking business. Every mining company I have ever worked with in the DRC worked with Standard Bank or Citibank. These banks have a global group behind them and can count on more financial support and guarantees – it makes them more reliable […] The system of passing by an intermediary bank makes costs high, and there are major credibility issues with Congolese banks, which disincentives global banks to work with them.”

**Kinshasa-based mining lawyer**

“Our bank [top tier Congolese bank] provides the following services in this sector:

- Validation of export licences;
- Ensuring the follow-up of the repatriation of funds in compliance with the exchange regulations in force;
- Facilitating the payment of different taxes and fees;
- Obtaining different certificates or guarantees; and
- Signature credit, providing credit lines ("découvert" or short-term working capital loans), advances on different payments, invoice discounts, advances in instalments to finance equipment, advances for buying a mining concession, and so on.”

**Commercial manager at a leading Congolese bank**

“In general, local financial institutions [in DRC] act as trustees, mainly because of the low level of available credit and because of the very high interest rates in DRC (between 10% and 15% for corporates) which mean it’s easier just to find capital outside of the DRC. Pre-financing for mining projects happens abroad. This also allows the sister or mother company of a Congolese operational company to raise capital abroad and to then reassign it to its sister or its subsidiary, against payment of substantial interest, sometimes capitalized monthly. By doing this, they depress the revenues of the Congolese operational company with deductible financial expenses so that it looks like they are loss-making, so they become subject to the minimum tax of 1% of the sales figures, while the real profit is made outside of DRC borders.”

**Kinshasa-based mining lawyer**
Part three: Level of engagement with ASM

Example of engagement by an international trading company to increase transparency and to transform ASM working conditions through the support of an international NGO:

“Over the past six months, the huge Mutoshi mine in Kolwezi – part of the Chemaf concession – has become a success story for ASM integration, with support from the NGO, Pact. Chemaf are selling cobalt to Trafigura. The mine manages up to a maximum of 3,000 artisanal workers, all of whom are registered. Every morning their ID cards are checked (they need to be over 18 or 21 years old). They have maximum working hours, and indications on depths and length of where to dig. The mine arranges material, equipment and security for the miners. The price of cobalt has fallen but still the artisanal miner is paid on site weekly and takes home around 400-500 USD a week. The transparency and traceability problems are solved because we know where the artisanals are digging and their supplies are incorporated into the global production of the same mine. The supplies are transported from the pit by car to the buying station, where the minerals are weighed and payed for, all in the same controlled area […]

“This concession has received bad press in the past, but the new system is a success […] I am sure the management of the artisanal miners on this site is not perfect, but it is a good evolution, so far it works and it is perfectly legitimate […] Banks are suspicious mainly because of the negative attitude of other big players towards this new way of working. It will be a slow process to convince all actors in the chain that this is evolving in the right direction and that more mines should follow this example. The Mutoshi mine wants to organise more visits so journalists, NGOs and international companies can see the progress with their own eyes.” Lubumbashi-based representative of global trading firm

Example: Closed pipe model based on commercial agreements with suppliers

Mining Mineral Resources or MMR, which has exclusive access to four ASM sites around Lubumbashi, is a further example of the ‘closed pipe’ model. MMR has established a long-term relationship to ensure an orderly supply of 3T minerals from artisanal miners via the mining cooperative CDMC. This relationship with CDMC was institutionalised through a contract signed in 2010 at the Provincial Ministry of Mines [granting] CDMC the exclusive right to extract minerals from several MMR concessions, on the condition that CDMC would sell all of its minerals to MMR.

“MMR, for its part, advances money to CDMC for the purchase of minerals from its artisanal miners […] MMR has also reinforced its position by signing long-term commercial agreements both with international 3T buying companies and mining cooperatives. MMR has done this by working in the so-called ‘closed-pipeline systems’ in northern Katanga, which are made up of a predefined set of mine sites and mining cooperatives that only export minerals to partner-smelters and electronics manufacturers.’

'Mining Reform, Governance and the State in the Democratic Republic of Congo', 2018

However, there are disadvantages to a fixed price commercial agreement for miners in a commodity sector defined by price fluctuations:

‘The relationship between MMR and the mining cooperative CDMC (Coopérative Minière du Congo) is also shaped by financial arrangements. In theory, one would expect CDMC to defend the interests of its members—the creuseurs and négociants working in and around the abovementioned 3T mines in North Katanga—in their dealings with MMR. In reality, MMR pre-finances the CDMC négociants and obliges them to sell all their minerals exclusively to the company.’ […] “In Kisengo, MMR and CDMC have been buying coltan at a fixed price at the buying points or postes d’achat, despite significant price fluctuations at the international level. This has not only led to protests on the part of the creuseurs and the négociants, but also to the emergence of smuggling practices. In this context, it is worth mentioning the phenomenon of the ‘hibous’ (‘owls’).”

“The hibous are a group of négociants who organize the illicit trafficking of coltan from Kisengo to other trade centers such as Kalemie and Uvira. They do not operate on their own but have built up a network of local
collaborators who keep each other informed about the evolution of coltan prices and about each other's activities. The hibous offer Kisengo-based creuseurs and négociants the possibility to evade the price monopoly of MMR/CDMC, as they offer them better prices for their minerals.”

‘Analyzing the Impact of the Dodd-Frank Act on Congolese Livelihoods’ November 2014

Note: The view of the authors of this report is that MMR’s approach was motivated by the desire to secure production at a low price rather than to work in a closed pipe arrangement to better formalise the supply chain or to empower artisanal operators.

Part four: Compliance concerns versus commercial objectives

“Because of the involvement of international banks, larger projects require detailed environmental, social and governance risk assessments. Development banks will definitely analyse these risks in depth, but I am afraid that more mainstream commercial banks do not always take the time to go into detail and often look mainly at the financial side, despite potentially huge compliance and reputational risks.” Executive who formerly led a Work Bank-supported financing programme for banks and MFIs in DRC (now works for a DFI)

“A simple reason that local financial institutions often do not wish to be dependent on the resource sector is because those investments are exposed to fluctuations in the price of the minerals [there is no diversification of exposure].” DRC-based fund manager

“From my experience, reputational and compliance concerns [are a significant factor]. When a DFI-funded facility provides financing to banks, it will demand that the banks be compliant with the IFC exclusion list (https://www.ifc.org/exclusionlist_); and with local legislation, which is not really clear or up-to-date. Clients (banks and MFIs) will be asked to put into place an ‘Environmental & Social Risk’ management system to analyse social and environmental risks. This gets more important when dealing with larger corporate projects. In this regard, the IFC Performance Standards are often used as reference (the 8 principles), to monitor certain indicators. Executive who formerly led a Work Bank-supported financing programme for banks and MFIs in DRC

“I would say compliance concerns [are very important for local banks]. The legal insecurity and the ridiculous uncontrollable bureaucracy creates such a big playground for corruption. I can imagine that the smaller agencies of local banks don’t have the capacity to do proper controls on documentation.” Kinshasa-based mining lawyer

“Compliance concerns are significant. With an unregulated sector or an informal sector, the bank runs huge risks, both reputational and operational. The bank can risk losing its licence from the Central Bank. The formal sector is very different from the informal: in the formal sector, the client provides copies of all authorizations and certificates that underpin their legal entitlement to operate – this reassures partners, bankers and buyers; but that reassurance is not there in the informal sector.” Commercial manager at a leading Congolese bank

“I would say in the first place the barrier is that [ASM lending] is not very commercially attractive for local banks […] You would think that micro finance institutions could be interested [to lend to ASM] but this is not yet the case, presumably because of the compliance and reputational risks.” Kinshasa-based mining lawyer

“You can’t separate these two things, they go together. Banks will prefer clients of a certain size for commercial reasons but also for compliance reasons because the bigger established mining companies are more likely to be in order (in terms of paperwork and compliance), they are easier to verify as well. It is not in their interests for banks to take the risk of working with uncertain entities.” Former DRC head of Big 4 global accounting and audit firm
“The reputational risk is too high in relation to the low financial return from ASM activities: ‘le jeux n’en vaut pas la chandelle’, DRC-based representative of an international trading company

“International banks are anyway losing interest in Africa (too much risk) – for instance the Belgium bank Société Générale left DRC a long time ago.” Representative of an international trading company

Part five: Potential solutions

“Regarding a Technical Assistance facility designed to make artisanal miners due diligence compliant, there will be serious practical challenges. To motivate miners in some remote area to give up half a day of work to come and listen how to get a loan, it’s just not going to happen […] An alternative can be to offer artisanal miners free schooling for their children in exchange for committing to a compliance pathway. Or link compliance to other benefits like medical care. Miners will listen more when it touches their daily concerns.” Lawyer formerly based in Kinshasa with a Congolese law firm

“More legal stability is the crucial pre-condition for local lending to ASM […] Trustworthiness in documentation needs to be built: start from zero and build a credible system, a database where the provenance of documents can be easily verified. Inside banks we need to install a neutral, independent control chain that is decentralised. The next challenge to overcome is the problem of the unworkable bureaucracy, although this is a mentality problem in the whole of the DRC. I would say that NGOs can play a more active role here: instead of writing negative reports, they should think towards realistic solutions.” Kinshasa-based mining lawyer

“One problem to solve is to get rid of the negative connotation of “artisanal miners”, it sounds amateurish and unimportant while in fact artisanal operators represent an important part of the industry. Currently, if bigger mining companies want to get socially involved, they won’t approach the artisanal miners, they would rather build a hospital or a school. We need to approach this as a professional community, not view it as a social project […] Instead of just lending money, why not set up a system of leasing work tools and equipment? You guarantee the miners good quality and a better price and give them the opportunity to buy the equipment after a certain number of months, so they become owners of their equipment and start formalising. For the banks this could be interesting because they don’t have to take much risk. The NGO or development institution invests in the materials and makes a deal with the banks. The bank can win new customers that are not yet familiar with banking, and they can secure a small margin when they want to buy their material […] One project in South Africa successfully communicated [this kind of lending model] via cartoons as a lot of these miners can’t read or write; this could be a creative (and cheap) approach to explain new access to finance opportunities.” Kinshasa-based mining lawyer

“A database that provides clarity on what concessions artisanal miners have the rights to work on would be useful. Also, an educational programme that helps artisanal operators and banks understand each other better. Finally, this is probably impossible, but some kind of amnesty against inadvertent reputational risk would be useful: if you are investing into the artisanal sector, mistakes will be made.” DRBC-based fund manager

“We have looked at and worked on developing a leasing business that would have good exposure to the mining sector in the DRC. Although the leasing sector now has legislation and is regulated in the DRC (by the central bank), there are still a lot of uncertainties regarding licensing and regulation. As a result, we have not launched this business yet. Rawbank has [also] been working on this, and has not been able to begin their leasing programme due to the same issues we face. It is very challenging. In particular, compliance risk is a challenge as there are significant unknowns regarding ultimate ownership and the mining sector in the DRC is very political.” DRC-based fund manager

“The solution is to get them [artisanal operators] out of the informal sector; and to work together with established (blue chip) mining companies who have a good reputation.” Commercial manager at a leading Congolese bank
“The solutions need to be structural: (i) Improve the level of security; (ii) Ensure the traceability of minerals; (iii) Make uniform and simplify state, provincial and local taxes; (iv) and create a strong and permanent representation of the central government in decentralized areas.” Kinshasa-based mining lawyer

“Why would large-scale producers be interested in engaging ASM? Each time large companies start exploiting minerals, artisanal workers are complaining that becoming blue collar workers of these employees means very low remuneration, compared to what they could get through their artisanal work. The issue is then to “officialise and control” the comptoirs where the real margin is made.” Kinshasa-based mining lawyer

“We should move towards a situation where informal businesses are integrated with the official ones, even if prices will go up [But] I don’t know how to motivate the big firms to engage with the small ones. It will be hard […] A potential solution would be to establish syndicates that formalise and bring together the artisanal miners. We have to look at this on a region and case by case.” Former DRC head of Big 4 global accounting and audit firm

“A key part of the solution must be equal regulation in neighbouring countries (Zambia and Rwanda); and we need better traceability of importation documents [to prevent cross-border regulatory and tax regime arbitrage]. We also need to push more responsibility upon the bigger mining companies to engage the informal sector, even if that means prices will rise. Finally, could we syndicate the informal sector, as in Liberia where you have the success story of the “Centrales d’achat locale” or local purchasing offices for rubber.” Bank executive and prominent member of the Congolese Banking Association

Extracts from The business environment in Congo (2018):

- “The banking sector in DRC certainly faces an uphill battle. A recent study found that the uptake of banking services in the country hovers at around 8-10%, while the average in sub-Saharan Africa is upwards of 25%. This fact is largely thought to be underpinned by residual mistrust in the banking system after the hyperinflation crisis the country experienced from the late 1980s into the 1990s, which saw rates as high as 23773% in 1994. The low commodity prices […] and political turmoil have done little to help its already hurting economy where there is low confidence in the Congolese franc, which fell by 22% against the dollar in 2017.”
- “Notwithstanding adverse fiscal circumstances, the banking sector in DRC has made strides in recent years, due in large part to the efforts of locally-focused banks such as BCDC, TMB, and Rawbank. Many large banks with stronger international credentials such as Citibank and Standard Bank cater solely to corporate clients, and in fact do not offer commercial services.”
- “Yet, the introduction of new retail services such as mobile banking like TMB’s Pepele Mobile is creating a stronger financial sector that will also directly benefit the mining community. “Our plan with Pepele Mobile was both to provide a digital solution that meets the needs of the digital market, and also to find a way to support the digitalization of B2B transactions,” explained Yannick Mbiya Ngandu, regional manager of TMB. “Our expectation is that the migration of economic activity to digital platforms will increase transparency and support access to finance for companies, in particular SMEs who all too often suffer from a lack of access to finance due to poor availability of quantitative data.”
- “Supporting the SME sector is of critical importance to the developing the capacity of local value chains. “There is a law (not yet in force) regarding the subcontractors in DRC that wants to boost local SMEs to participate in the mining sector,” elaborated Michael Demey, regional manager of the Katanga area for BCDC.”
- “These local banks have the capacity to also service international investors and the wider mining community. While large banks can provide greater access to the capital needed for large-scale
mining operations, local players arguably offer a distinct advantage through their knowledge of the country’s local financial framework as well as foreign exchange regulations.”

Extracts from Trading Conflict for Development on regulatory and cost competitiveness arbitrage in the regional financial system:

- “Rwanda’s service sector […] provides financial, insurance, and logistical, as well as extension services to economic operators in DR Congo. This will continue to generate foreign exchange so long as Rwanda keeps its competitive edge. Today regional mineral shipments are often paid into Rwandan bank accounts, as only 40% of official export value has to be retroceded to the DR Congo. This is due to lower bank charges and the availability of cash in Rwandan banks. Whatever money is needed for trading operations in DR Congo is often withdrawn from Rwandan banks and taken to DR Congo. This is why Rwanda’s foreign exchange earnings from the minerals sector are so high.”

Extracts from The business environment in Congo (2018):

- “In Kisengo for instance, this pre-financing scheme functioned as follows: MMR provided funds to the CDMC, which then pre-financed 21 négociants appointed at 14 postes d’achat. The daily amount per négociant ranged from 160 to 1,500 USD, allowing them to purchase 5–50 kg of coltan. When this pre-financing scheme functioned properly, it nourished the local economy with a steady circulation of cash.”
- [However] “The trading houses and cooperatives repeatedly faced problems with cash flow. These ‘coupures de fond’ were caused by logistical challenges inherent in the remoteness of mining sites located in rural areas where no banking system was available or by prices fluctuation at the international market. In the mines, all payments had to be made in cash. This cash had to be physically transported from a bank to the mines. The only bank branches were located in Kalemie, and these also depended on shipments of cash from banks in Lubumbashi. Such shipments were usually flown in weekly by commercial airlines, which operated irregularly and unreliably. As might be expected, these ‘coupures de fond’ presented many challenges for the livelihood activities of négociants. Without cash, négociants could not pay for minerals from the mineworkers, reinforcing patterns of credit and debt.”

‘Coupures de fond’ issues:

- “When we sold coltan to the two négociants appointed by the CDMC at Bovu [Dunia Kayanda Mokili and Maman Henriette Kabala], they rarely paid us directly because of recurrent cash flow problems. We and our families have been living like birds. We rely on petty loans and use our valuable items [such as radios, shoes, etc.] as security deposits to obtain food or medicine from traders or pharmacists. Other négociants can give us micro-loans, too, but many of them are also indebted to local traders and both impose deadlines that we can rarely afford.”
- “Repeatedly, négociants do not pay mineworkers like me in cash. When coupures de fond [cash flow problems] happen, they give us vouchers. However, we cannot eat vouchers. We then wait for one or two weeks before being paid, but we understand this problem, because négociants also complain about depending on cash availability from trading houses and mining cooperatives. The issue is that, when we complain about these payment delays, we are seen rebelling against the mining reforms and become suspected of collaboration with coltan smugglers. [Mwamba’s story, Kisengo, June 2014]”
- “‘coupures de fond’ were recurrent, and the mines lacked adequate equipment such as motor pumps…How can négociants of the CMMA keep buying coltan “on credit” when mineworkers live off their day-to-day income and are not allowed to sell coltan to someone else?” [Interview in January 2014].
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