



LEVIN SOURCES

**WORKING WITH THE LOCAL
BANKING SECTOR IN THE
DEMOCRATIC REPUBLIC OF THE
CONGO**

LEARNING BRIEF

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BACKGROUND

From 2018 to 2023, Levin Sources worked as part of a US-funded consortium seeking to establish viable, conflict-free, artisanal and small-scale mining (ASM) gold supply chains originating from eastern Democratic Republic of the Congo (DRC). The project involved policy makers in the US and the DRC, value chain actors along the length of the supply chain, civil-society organisations and due diligence specialists. This learning is particularly topical in the current debate, [led by the World Bank around how to professionalise, legalise and formalise ASM](#).

Private Sector Engagement

This learning brief centres on engagement with the formal banking sector in the DRC. It:

- Demonstrates the transformational potential of encouraging commercial banks to offer services directly to the ASM sector;
- Highlights the key lessons from our collaboration with two commercial banks in the DRC; and
- Describes some of the challenges remaining for ASM to become a viable and sustainable market for commercial banks in mineral-rich economies.

THE COMMERCIAL BANKING SECTOR AND ASM

Globally, there are very few documented examples of commercial banks explicitly targeting ASM as a priority market with tailored financial services. Where this has happened, the perception of ASM as a high-risk sector has led to high interest rates, inflexible repayment schedules, and significant collateral requirements when lending to ASM operators.¹ Beyond borrowing, access to alternative financing mechanisms, such as equity and leasing, is almost non-existent in the ASM sector.

There are financial institutions outside the commercial banking sector with a mandate to support ASM. This includes government-led funds with an explicit objective to promote ASM growth and formalization – often with funding from donors. Similarly, there are multiple examples of microfinance institutions (MFIs) that target ASM as part of their wider mission. For example, poverty reduction or women’s economic empowerment.²

Specific reasons for why most commercial banks rarely target ASM differ between countries and minerals. However, in many cases, **the main obstacle is the perception of high risk.** For most external observers, the ASM sector is opaque, chaotic and not suited to the traditional risk frameworks that most formal financial institutions use. Ownership of assets is frequently contested, the workforce is transient, and financial returns are unpredictable. In addition, much of the narrative on ASM, particularly in Africa, tends to associate ASM with serious problems, such as money laundering, organized crime, and armed groups. Loan

¹ [Access to Finance: Options for ASM](#), planetGOLD, 2020

² *ibid*

officers and other staff working in commercial banks generally do not have the skills and tools to carry out detailed risk assessments for ASM operations. Building the necessary capacity requires significant resources, which are unlikely to be forthcoming without commitment from senior management.

Donors and development finance institutions (DFIs) have been reluctant to provide the type of catalytic investment that has taken place in other parts of the informal economy to reduce market entry risks for commercial banks. This may also be because of the ASM sector's poor external reputation. Increasingly, the requirement for DFIs to apply strict environmental, social and governance (ESG) standards is an important factor in their reluctance to promote ASM as a potential growth sector.³ Ironically, the lack of access to reliable, affordable and legitimate financial services is a significant factor contributing to the ASM sector's poor ESG track record. This financial context presents a significant barrier for ASM operators to engage in formal and responsible markets, creates liquidity challenges that undermine long-term investment in safer and cleaner production methods, and limits opportunities to develop local economies around ASM sites that could strengthen broader community resilience. Ultimately, gaining access to the formal financial sector will be a key step for ASM operations to break free from exploitative informal financing and make progress towards greater professionalization.

There is growing interest from the international community to find new ways to explore the financial inclusion of ASM operators as one route towards the greater integration of ASM into the formal economy. For example, the World Bank's Mining.Better.Together. initiative, launched in late 2024, puts the legitimisation and professionalisation of ASM at its core. The ASM sector is important to many economies and remote regions, due to its potential contribution to the supply of essential minerals. Still, concerns persist that ASM informality tends to benefit negative actors and may facilitate conflict and instability. The market analysis carried out at the beginning of the project⁴ also identified the national and international banking sectors as potential barriers - and facilitators - for more responsible ASM gold production and exports. In response, the project developed distinct partnerships with two commercial banks in the DRC.

COLLABORATION WITH COMMERCIAL BANKS IN THE DRC

The consortium's approach to working with the formal financial sector in the DRC aligned with emerging best practice in the development sector of market systems development and private sector engagement. The consortium established partnerships with two commercial banks - Trust Merchant Bank (TMB), part of the KCB group (as of December 2022), and Equity Banque Commerciale du Congo (BCDC) - to explicitly target all four elements of the project's private sector engagement plan. The team chose to work with two financial institutions to increase its reach and impact within the broader financial system.

³ [Financing the Unbanked, IMPACT, 2023](#)

⁴ [Market Analysis: Artisanal and Small-Scale Mining \(ASM\) Gold from Eastern DRC, Levin Sources and Global Communities, 2019](#)

The project deployed donor funding, supplementing the banks' own strategic investments, aiming to unlock potential lending and other support to the ASM sector.

The project was designed as a market-based response to the challenges facing ASM gold supply chains from eastern DRC, chief among them being an opaque and largely illegal market system that discouraged alignment with international standards for conflict-free ASM gold production and trade. The project chose to partner with Congolese commercial banks that recognized ASM's market potential and were willing to build up the know-how and long-term commitment to the sector. TMB, in particular, had already identified ASM as a key growth segment and had begun laying the groundwork for tailored risk frameworks and client onboarding prior to the project.

These partnerships were a crucial step towards greater access to finance and, ultimately, long-term sustainability for ASM operators wanting to trade responsible ASM gold through formal channels into global markets.

The partnerships with the two banks shared the same general objectives: **for the banks to gain access to the network of ASM cooperatives, traders and exporters, as well as benefit from the project's market research and mine site risk profiles.** In return, Levin Sources helped to unlock access to a range of financial services for its partners in the ASM sector, including the potential for significant lending support.

What motivated the banks to collaborate with the consortium?



From the outset, **the partnership with Trust Merchant Bank (TMB) aimed to leverage project resources and expertise to accelerate and deepen implementation of the bank's ASM strategy, with a focus on enhancing its understanding of the complexities of ASM in the specific project areas, strengthening its risk management and assessment processes, and identifying an initial group of ASM clients to test and improve its services.**

TMB's value to the project went beyond extending financial services to project partners in the upstream supply chain. The bank's compliance checks on prospective new clients - including international money laundering and know-your-customer standards - contributed to the project's due diligence initiatives and those of other actors in the supply chain. Furthermore, TMB's ability to facilitate ASM gold exports through international money transfers opened the door for legitimate transactions with responsible buyers and raised awareness among international correspondent banks to ASM as a first step towards building greater acceptance of ASM-related transactions within the international financial system.

The project team also collaborated with the TMB Bunia branch in north-eastern DRC to explore the possibility of developing vaulting services and on-site assaying by the DRC government's Centre for Assessment, Valuation and Certification of Precious and Semi-precious Mineral Substances (CEEC). Once trialled, this model could be replicated in other TMB branches in eastern DRC.

Several factors motivated TMB's interest to partner with the consortium. The bank is proud of its status as a 'home-grown' universal bank with a strong focus on financial inclusion. TMB hosts one in five bank accounts in the DRC⁵ and has significant experience operating in remote and marginalized communities. TMB had already identified ASM as a natural market to expand into and participated in an ASM Access to Finance pilot, with co-funding from the Public-Private Alliance for Responsible Minerals Trade (PPA) and technical support from Levin Sources in 2019-2020. Based on learning from this earlier pilot, TMB created a dedicated ASM unit to test and scale up ASM-related services at multiple locations across the DRC. Participation in the pilot was also instrumental in building senior management commitment to the ASM sector, which was essential in securing resources to further develop internal processes and capabilities.

There were also clear commercial reasons behind TMB's decision to prioritize the ASM sector:

- The DRC's large ASM sector offers a significant untapped market.
- TMB's upfront investments in understanding ASM-related risks and compliance challenges should build the foundations for a well-performing loan portfolio in the sector.
- Many of the large-scale mining companies are increasing their engagement with ASM to make it more collaborative and to safeguard their operations, as well as to maintain their social licenses to operate.
- A strong presence and portfolio in the ASM sector would set TMB apart from its competitors and make TBM a more attractive banking partner for large-scale miners

Beyond ASM itself, engaging ASM communities creates an important entry point for broader financial intermediation. Formalising ASM acts as a hook to introduce banking infrastructure into remote areas, which then enables lending to other local economic sectors, thus broadening economic activity and diversifying the bank's loan portfolio.

Equity BCDC's partnership with the project helped develop its commercial offering to ASM.

The consortium's engagement with Equity BCDC followed a similar pathway, although the bank entered the partnership with more limited knowledge of the ASM sector than TMB. Therefore, Levin Sources provided the practical support and networks to help Equity BCDC improve its understanding of the sector. Shortly after formalizing the partnership through a Memorandum of Understanding, the project team organized a workshop in Goma, DRC, with cooperatives, government representatives and other ASM stakeholders to help clarify the intricacies and challenges in ASM gold value chains. This was the starting point for the bank to develop a detailed risk profile for potential ASM clients. The team also provided guidance on possible risk mitigation measures based on due diligence assessments performed on a range of cooperatives. This included guidance on the legal requirements for cooperatives to function as legitimate ASM operators. The project also facilitated

⁵ [TMB 2020 Annual Report](#)



introductions to cooperatives already working with the team to help Equity BCDC build an initial portfolio of less risky ASM gold clients.

Equity BCDC recognized the risks associated with the ASM sector. With support from experts at Equity Group, **the bank invested heavily in its risk and compliance framework**, which considers a wide range of ESG risks. Equity BCDC relies on its network of employees and agents to gather local intelligence, and has thus far offered ASM operators limited services, including bank accounts and credit facilities – though additional services may be offered in the future. With assistance from the project, Equity BCDC’s risk management strategy trains cooperatives in basic business functions such as financial literacy, management, sales, and marketing. The bank acknowledges that many important challenges remain. However, with its core focus on financial inclusion, Equity BCDC is determined to promote the ASM sector as a legitimate economic activity. This work will likely expand into other minerals and regions of the DRC where the bank sees significant business potential.

Over time and with support from project partners, both TMB and Equity BCDC expect to expand their services offered to ASM operators, ranging from its standard banking products and services (e.g. lending, leasing, mobile banking and life insurance) to more specific trade facilitation products and non-standard services, such as gold vaulting. Mobile banking applications, such as TMB’s Pepele Mobile, offer the convenience and flexibility of a mobile banking service, as well as a core risk management function, because all ASM transactions automatically pass through banks’ compliance/AML software. For both TMB and Equity BCDC, **the ultimate aim is to service a wide range of ASM producers, traders and exporters, covering multiple minerals in all parts of the DRC.**

Compliance as an essential pathway to ASM financial inclusion

Despite the banks’ mission to promote financial inclusion, and senior management supporting engagement with the ASM sector in principle, the teams leading on ASM had to overcome several hurdles.

Within TMB, there was unease over expansion into ASM, in particular, because of perceived compliance and reputational risks. The TMB team built on the Public-Private Alliance for Responsible Minerals Trade (PPA)’s ASM Access to Finance pilot – and a wider effort to engage with ASM experts in the DRC and beyond – to inform its ASM sector strategy and reassure relevant internal stakeholders that it identified realistic options to address these risk concerns. Participation in the pilot was also an effective way to build the capacity of a core group of employees to understand and respond to the specific opportunities and challenges related to ASM. Following the pilot, the TMB team increased its ASM expertise through ongoing engagement with the project.

Identifying an initial cohort of ASM clients to work with presented another challenge. Very few of the ASM operators had track records with commercial financial institutions to build upon, and there was no risk framework tailored to the ASM sector for TMB to employ. The project initially shared with TMB the due diligence data on different partner cooperatives.

To kick-start new potential relationships, it connected the bank to the project's upstream partners. The bank deployed its previously developed ASM risk rating system which considers five categories of operational standards to identify and quantify compliance and reputational risks for individual ASM clients:

1. good governance and transparency
2. human rights
3. workers' rights, workplace health, safety and hygiene
4. environment
5. community and society

TMB uses data from multiple sources to arrive at risk assessment decisions, including local intelligence (gathered from more than 1,500 staff across the country), as well as client reporting and third-party actors in the sector (e.g. ASM auditors, industry and standard initiatives, non-governmental organizations and development agencies). This was an important area of cooperation between the bank and the project. One of the project's due diligence providers, Datastake, became a core local ASM data provider for TMB through a formal partnership. TMB's ASM risk framework combines client ratings against the Organization for Economic Cooperation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas with performance against ESG standards that are increasingly used by leading credit rating agencies. Ratings for ASM gold operators are reported on an annual basis to capture changes in performance. Clients receive an annual risk score that is then used to determine access to a range of products, including bank accounts in local currency or U.S. dollars and access to credit. Equity BCDC developed its own risk rating framework, which also considers key ESG risks based on Equity Group-level expertise and practice.

While the rating systems might at first appear daunting for ASM operators, they clarify requirements and expectations very clearly and transparently. They should also incentivize progressive improvements by opening up new products and services to clients that strengthen their risk rating over time. Ultimately, a key aim is to legitimize ASM as a core component of the DRC economy and enable a growing number of operators to move beyond informality and subsistence, with broader benefits for the local economy. This is closely aligned with the project's strategic objectives.

Risk and compliance concerns related to ASM gold from the DRC also loom large within the international banking system. Gold exports from the DRC require U.S. dollar transactions involving multiple banks and their respective compliance processes. Transactions involving the DRC tend to attract greater scrutiny from international banks' compliance teams, which puts ASM gold export transactions at risk for delays. For banks in ASM producer countries, this means additional efforts to facilitate ASM-related transactions, such as briefing their correspondent bank in advance to ensure that the international recipients of ASM minerals take similar steps to facilitate the smooth flow of funds. Moving beyond this piecemeal approach will require the international banking system to become more familiar with - and open to - ASM-related transactions. Such systemic change is beyond the influence of

individual financial institutions and may require training and raising awareness amongst regulators, and large corporations lobbying international banks.

CHALLENGES AND OPPORTUNITIES FOR PROGRESS

The project's successful collaboration with TMB and Equity BCDC shows that the long-held perception of the ASM sector as 'unbankable' is increasingly out of date. In one of the most difficult markets in the world, two national banks focused on commercial success through financial inclusion, combined with targeted ASM technical support, and access to reliable data on potential clients through the project to enable access to commercial financial services to ASM gold operators.

Challenges

- Physical access to and security around ASM sites tend to be challenging, and poor mobile network coverage limits the use of mobile banking applications.
- The ASM sector's reputation for poor ESG performance is likely to put off senior management in commercial banks even in geographies where ASM is an important part of the economy.
- Bank staff building a case for ASM engagement are faced with a confusing array of ASM standards, promoters, audit reports and expert opinions. The frequently confusing and contradictory guidance of these initiatives increase the risk that many commercial banks may never properly consider ASM as a viable market segment.
- There is a dearth of publicly funded initiatives with the expertise and patience required to work with commercial banks and respond to their evolving concerns on the journey towards greater engagement with ASM.
- The lack of reliable and accessible data on ASM to assess risk and enable compliance with national and international regulators presents another difficulty. Combining TMB's national branch and agent network with local, ASM-specific due diligence data was vital to identifying an initial cohort of relatively low-risk clients and developing the bank's ASM risk framework as the basis for future expansion into new service areas, locations and minerals.
- Developing the framework required significant time and financial investment, which is likely beyond many other national banks.
- Encouraging greater understanding of and openness to ASM within the international financial system is likely the biggest challenge for this agenda, especially with mounting pressure on banks and regulators to prevent transactions related to terrorist financing and international sanctions.
- In the current context, risk exposure for individual banks is potentially terminal if individual ASM transactions are perceived to breach global rules and international

banks refuse their clearing services. In extreme cases, actions by an individual bank could affect the entire banking sector in a country. Therefore, the ASM sector's revenue potential does not compare favourably with its risk profile.

Opportunities

- TMB's ASM inclusion strategy and risk framework offers an encouraging model and experience for other financial institutions and development agencies looking for examples to build on.
- There is an opportunity for international ASM initiatives to encourage a more standardized approach to ASM risk assessments and support the development of an internationally accepted framework.
- Influencing regulators and financial institutions will require a concerted effort and should start with encouraging openness to learning from practical experience, such as TMB's and Equity BCDC's collaboration with the project.
- Creating ASM awareness-raising and training opportunities for regulators and compliance experts.
- Working with central banks in ASM-producing countries to promote and enforce appropriate risk frameworks.
- Encouraging large commodity traders, mining companies and manufacturers to encourage banks to integrate ASM transactions into their risk and compliance practices.

KEY TAKEAWAYS

- Commercial banks and development initiatives can overcome the systemic challenges in integrating ASM into the formal financial system by working together and playing to their respective strengths.
- ASM cooperatives and other upstream supply chain actors see the advantages of opening accounts with commercial banks, to:
 - strengthen their ability to grow and professionalize their businesses,
 - remove the vested interests that often come with finance in the ASM sector,
 - gain recognition as valued participants in the economy.
- Commercial banks that want to investigate ASM as a potential new market can struggle with the myriad of ASM-related initiatives (both international and local). A dedicated point of contact in a relevant international organization with the right expertise and networks in ASM and the financial sectors helps to achieve practical and consistent guidance and encouragement.
- Commitment from senior management and support within commercial banks is key to mobilizing the resources required to build internal ASM expertise and processes. Proactive engagement across departments - from risk management to new business

development and lending - is essential for wider acceptance and commercial success.

- Access to relevant data from a wide range of sources is essential to assess ASM risks and ensure compliance with banks' complex national and international compliance obligations.
- Greater efforts are needed to influence regulators and financial lenders (i.e. local banks) to accept ASM as a legitimate economic sector with a manageable risk profile. Positive engagement of the international banking sector is key to giving responsible international refiners the confidence to buy ASM minerals and to facilitate the international financial transactions underpinning such trade.
- For ASM operators, access to commercial financial services is an essential stepping stone towards formalization and acceptance as a valued and legitimate economic sector. For international supply chain actors, it adds an extra layer of due diligence, giving additional confidence to their sourcing.

CONCLUSION

The ASM sector is widely regarded as being beyond the reach of commercial banks because of its perceived poor ESG performance and lack of transparency. The consortium's collaboration with TMB and Equity BCDC in the DRC shows that a collaborative approach to private sector engagement can make ASM attractive to the local banking sector, which is crucial for ASM operators to be responsible, transparent and properly integrated into international mineral value chains. This logic translates across minerals and geographies.