



# GROUNDTRUTHING DOWNSTREAM ACTORS' ASSUMPTIONS ABOUT DRC ASM GOLD



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## Introduction

This document is a resource for refiners and jewelers interested in sourcing artisanal gold responsibly from Democratic Republic of the Congo (DRC), but who may not have had the opportunity to visit this rich market to understand the operational realities of doing so.

The DRC is truly a frontier market. Having experienced her first peaceful transition of power since independence in 1960, the country has suffered from decades of ethnic conflict, particularly in the eastern part of the country, as well as weak government and financial institutions. Consequently, large volumes of artisanal gold continue to leave the country through illicitly, which has resulted in a large stigma for artisanal gold from DRC amongst responsible artisanal gold buyers and international financial institutions. To reduce this stigma, this document highlights and tackles assumptions about artisanal gold from DRC.

The assumptions presented and addressed in this document were derived from conversations with over 100<sup>1</sup> actors downstream in the artisanal gold supply chain, namely jewelers, refiners and others active in the sector with whom the USAID's Zahabu Safi (Clean Gold) Project (the Project) has engaged over the last three years while conducting ongoing market research, an integral element of the Project's design and implementation plan.

These assumptions reflect recurrent concerns by mid and downstream supply chain actors about sourcing ASM gold from the DRC.

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<sup>1</sup> To reach this number, we added: the total number of actors engaged in the Year 1 and Year 2 market analyses, including in the Refiners' Community of Practice (10), plus contacts from Y3 and 4, especially within the Jewelry Community (64), plus other NGOs, advocacy bodies and journalists in the sector and exporters.

## **The Risks and Rewards of sourcing ASM gold responsibly from the DRC**

Like many mineral rich countries, the DRC has had a turbulent history. As the country continues its journey to peace and security, it has the opportunity to harness its natural resources for the economic prosperity of the nation. Pioneering businesses at every stage of the gold supply chain have the chance to be part of this incredible journey.

USAID's Zahabu Safi (Clean Gold) Project recognizes the risks of sourcing gold from the DRC. Our Project is designed to help supply chain actors upstream identify and mitigate these risks. The concept of "responsible sourcing" does not suggest that a supply chain is risk-free, but rather it suggests that those risks are known, and actively managed. Therefore, we encourage and embrace a "continuous improvement" approach to supply chain risk management. Disengagement by responsible buyers only hurts the most vulnerable in the ASM supply chain, which are the miners and their communities, who already suffer from economic hardship.

The Project works with willing and committed ASM cooperatives, traders and exporters upstream in the supply chain to help them address key supply chain risks, using the OECD Due Diligence Guidance for Responsible Sourcing of Minerals from Conflict Affected and High-Risk Areas as our baseline framework for risk mitigation. We are working hand in hand with Congolese businesses and the government to lay foundations for the uptake of responsible business practices in the ASM sector in eastern DRC. We are doing so by supporting cooperatives going through a formalization process and deepening understanding by potential responsible buyers of contributions by upstream actors to due diligence processes. In addition, the Project is working with refiners and jewelers to explore commercial linkages to the actors with whom they are partnering upstream. Ultimately, we are equipping all parties with the knowledge to build long-lasting trading relationships that will continue after the life of this project.

The DRC is a fragile country; there are risks associated with the mining and trading of gold. But when jewelers and refiners exclude ASM from their supply chain altogether, they allow these risks to perpetuate, stifling the advancement of ambitious local communities.

The road to clean gold will be a long one, and not without its challenges. It's up to us all to decide if we want to be part of the solution or perpetuate the status quo by doing nothing. We know where we stand, the question is whether you would like to join us?





## Assumption 1: Sourcing ASM gold from the DRC will put children at risk

**Although child labor is illegal in the DRC, it is a reality on many mine sites, often driven by poverty.** Through government and community engagement and risk monitoring at project-supported sites contribute towards the DRC government's aim of eradicating child labor. The Project is partnering with organizations that look to address the root causes of child labor at mine sites. Responsible sourcing by downstream actors like refiners and jewelers is key to achieving this goal as it puts pressure on mine sites to meet due diligence standards and helps provide mining communities with fair wages.

### The reality

Child labor in mining, which constitutes the Worst Forms of Child Labor (WFCL), is illegal in the DRC yet children's participation in the ASM sector remains a challenge across the country.

Child labor is prominent within mining communities across the DRC. The issue includes underaged girls' prostitution and other forms of children's rights violations around the mining communities.

Child labor is usually driven by poverty. Adults' wages from mining are often not enough to meet their families' basic needs such as food, access to clean water, education, and healthcare. When a caregiver dies or falls ill, or the primary wage earner loses their job, especially during the COVID-19 pandemic, children have no other option than working on a mine site. Child labor also occurs because of exploitation by rebel groups.

Supporting responsible ASM gold supply chains by paying miners a fair price for their gold and making notable investments within sourcing communities that contribute to community development initiatives could directly improve economic opportunities and overall wellbeing within artisanal mining communities. Improving the returns on legal mining labor, as well as investing in community enhancements will create fertile ground for marked reduction in the incidence of child labor in ASM gold communities in eastern DRC.

## **What the Project and supply chain actors are doing**

The Project and supply chain actors are working in partnership with communities, local organizations, and the national government to help them address risks of WFCL within Project-supported supply chains in the short term and contribute toward its eradication in the long term. There are strict requirements in place for the ASM suppliers we partner with, as set out in the recognized standard for companies sourcing gold from conflict-affected and high-risk areas, the [OECD Due Diligence Guidance](#).<sup>2</sup>

### **Government engagement**

The Project is engaged with efforts to establish provincial bodies dedicated to eradicating child labor. These efforts are led by the Inter-ministerial Commission to Eliminate Child Labor (CISTEMA), established with the International Labour Organization and supported by UNICEF as part of the DRC Government Pledge to the [Alliance 8.7](#).

### **Daily Risk monitoring at Project-supported mine sites**

The Project has made significant investments in due diligence and traceability services, working closely with BetterChain and RCS Global, who are renowned for their risk identification and management services within ASM markets in Africa. Both organizations have a history working in the DRC. Through this partnership with BetterChain and RCS, the Project has conducted baseline supply chain evaluations, and, for the duration of their contracts, have collected daily supply chain risk incidence, including evidence of WFCL, at mine sites in three provinces (Ituri, Maniema and South Kivu). The Project's Risk Management Framework is guided by [the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#).<sup>3</sup> The guidance provides a nuanced [categorization of child labor](#), highlighting where companies should manage and mitigate risks, and where, in the case of the worst forms of child labor, they should disengage and stop buying gold until the issue is resolved.<sup>4</sup>

While the OECD guidance provides a timeframe by which WFCL risks should be mitigated before buyers disengage, our Project believes that it is critical to work closely with supply chain actors, particularly those downstream and other stakeholders to invest in systemic solutions to WFCL at a given site, rather than divest completely.

In Djugu territory, Ituri province, due diligence partner BetterChain worked with supply chain actors and trained several local civil society organizations to identify risks, using its [DataStake platform](#) to track and register the corrective actions recommended to mitigate them. DataStake is accessible, scalable, and designed to promote a sustainable community-led approach to risk management. Through

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<sup>2</sup> OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. The requirements are those indicated in Annex 2. OECD, 2016. OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264252479-en>

<sup>3</sup> OECD, 2016. OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264252479-en>

<sup>4</sup> OECD, 2017. Practical actions for companies to identify and address the worst forms of child labour in mineral supply chains. <https://mneguidelines.oecd.org/child-labour-risks-in-the-minerals-supply-chain.htm>

the platform, refiners, jewelers, and their suppliers involved in the Project can access data to help conduct their own due diligence on child labor at the mine site before deciding whether to purchase gold. This baseline data will enable buyers to establish their own risk mitigation strategies in the long-term. The OECD Due Diligence guidance requires the exporter to demonstrate that the gold complies with these standards. This information should be provided to buyers further along the supply chain.

At Luhihi mine, in South Kivu province, due diligence partner, RCS Global worked alongside the Global Communities team and government and international actors to establish and enact a three-stage approach to reducing child labor. Collectively, they have raised awareness among mining cooperatives that child labor is illegal nationally and internationally. They have supported cooperatives to develop zero tolerance policies for child labor and implemented a grievance mechanism. They have also implemented risk mitigation on the ground, training cooperative agents to identify child labor and remove children from the site area peacefully. Signs in local languages forbidding child labor are displayed on site. Finally, they have spread awareness of the importance of schooling for child development and the harms of child labor in mining among the community. This includes messages from religious leaders and local media outlets.

Across all sites, risk monitoring is coupled with corrective action plans. These provide guidance to cooperatives on how to address the risks identified, including those associated with child labor. However, risk monitoring is only the first step towards encouraging communities to eliminate child labor. It is important to tackle the root causes of child labor, mostly associated with poverty and access to education. The Project is not equipped to address these systemic drivers, but consortium members and partners are working with specialist organizations who are. We encourage any mine site improvement initiatives to be accompanied by community level interventions to ensure that alternatives to child labor are available to the ASM communities, caregivers, and children.

## **Community engagement**

Local NGOs and civil society conduct workshops with parents and children. In South Kivu, we are working with two ASM cooperatives, SAEMAPE (local government agencies that govern ASM cooperatives) and a few local NGOs to improve studying conditions for children in schools near Project-supported sites, and to connect youth who are not in schools to workforce training and other income-generation activities.

## **Responsible sourcing and child labor**

Child labor in mining is a systemic issue requiring a multi-faceted approach to address the drivers and change mindsets. Responsible sourcing, backed by due diligence and risk mitigation, will provide much needed economic support to mining communities, ultimately providing a sustainable solution to eradicate child labor from mining. By purchasing gold sourced from ASM sites on the condition that there is no child labor, jewelers have the power to make a meaningful difference to the lives of Congolese children and their families.

## Assumption 2: Consumers aren't interested in ASM gold

### The reality

Consumer demand for responsible gold appears to be growing, against a broader movement towards environmentally and socially conscious consumption. European jewelers interviewed in 2019 as part of the Project's market analysis did not cite a lack of consumer demand for ASM gold as a key barrier to sourcing from eastern DRC. This may be attributed to the relatively established presence of existing certified ASM gold jewelers in Europe.

However, for US jewelers interviewed by the Project in 2020, limited consumer demand was among the top four reasons why they would be hesitant to source ASM gold from the DRC. Currently, consumers are more likely to buy jewelry made from recycled rather than ASM gold. Recycled gold is more available, better publicized and ties into a growing societal awareness of the need to tackle climate change.

Most US consumers now believe it's important to know the origin of the gold in their jewelry.<sup>5</sup> The challenge isn't that they don't want to buy ASM gold, it's that most don't know it exists. However, once educated about the transformative impact purchasing responsible ASM gold can have on the lives of mining communities, their interest significantly increases. One study found that over 40% of consumers would be willing to pay at least 11% more for jewelry made with responsible ASM gold.<sup>6</sup>

The [Project's North American jewelry market analysis](#) found that some consumers have already drawn the link between supporting Black ASM miners and the globalized Black Lives Matter movement. Several jewelers have seen a spike in demand for ASM gold. There was little evidence that consumers are put off by the negative stereotypes sometimes associated with countries like the DRC. The chance to contribute to sustainable development in poorer countries is often an extra motivating factor to buy responsibly sourced ASM jewelry.

### What the Project and supply chain actors are doing

The jewelry sector actors we are working with in the Jewelry Community want to tap into an increasingly receptive consumer market. They recognize that jewelers need support to raise awareness of ASM gold and increase demand for pieces made with responsible ASM gold. Otherwise, sourcing ASM gold from the DRC will not be commercially viable. We are working with jewelers in North America and Europe, as well as existing initiatives, to craft and deliver communications packages to consumers.

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<sup>5</sup> 51% of US consumers. Miller, C.T. 2021. Artisanal Gold Study: Building Transparency into the Gold Supply Chain. The MVEye. <https://instoremag.com/artisanal-gold-mining-consumer-market-research/>

<sup>6</sup> Miller, C.T. 2021. Artisanal Gold Study: Building Transparency into the Gold Supply Chain. The MVEye. <https://instoremag.com/artisanal-gold-mining-consumer-market-research/>





### Assumption 3: ASM gold costs too much

#### The reality

Responsible ASM gold can be more expensive than other sources of gold. The Project aims to reduce the differential by making the supply chains more efficient while still ensuring that the miners can negotiate a fair price in their contracts. We acknowledge that concern about cost can represent a real barrier to jewelers sourcing ASM gold from the DRC.

Earlier donor-funded projects in the DRC failed to set up a lasting supply chain of responsibly sourced and commercially viable gold because they focused on mine sites without fully examining the challenges buyers face when trading and exporting the gold.

USAID's Zahabu Safi (Clean Gold) Project began by asking downstream buyers what it would take for them to buy ASM gold from the DRC. In response to that demand, the Project connects businesses along the supply chain, facilitating dialogue to make sourcing from the DRC commercially viable. Together we are testing solutions, paving the way for companies to engage responsibly with ASM in the DRC in the long term, without project support.

In some cases, paying more for responsible ASM gold may be commercially viable, if the consumer is comfortable that additional costs will result in positive impacts for the mining communities involved. Recent research<sup>7</sup> shows that once they are aware of the benefits of buying jewelry made from responsible ASM gold, many consumers are willing to pay at least 11% more for their pieces. Initial higher prices don't need to be a barrier to offering responsible ASM gold to clients.

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<sup>7</sup> Research conducted by MVI Marketing among US consumers in 2020



## What the Project and supply chain actors are doing

With Project support, supply chain actors are talking to one another with a deeper understanding, allowing them to negotiate fair pricing in contracts and agreements with one another, to tackle the trade barriers which often increase the costs, and to improve access to finance for those who need it along the supply chain.

There are several ways for supply chain actors to reduce costs. This includes aggregating gold from multiple ASM sites in the country, resulting in larger and therefore more commercially viable shipments for refiners. The Project is exploring ways businesses could spread due diligence costs more evenly and fairly along the supply chain. Jewelers may also wish to use a mix of ASM gold from the DRC alongside metals from other provenances in their pieces.

The Project has also launched two of three windows of the unique [Responsible Gold Innovation Facility \(RGIF\)](#) worth \$1 million. The facility is designed to support private sector investment in responsible ASM gold supply chains by tackling the barriers which currently prevent it. The windows are:

1. **Catalytic Grants window** – a subgrant mechanism disbursed via a competitive process which seeks to finance activities that will unlock specific barriers to producing and exporting responsibly-sourced ASM gold from eastern DRC.
2. **A Debt/Equity Investment window** – a blended finance mechanism that will require established partnerships with local financial institutions (via a loan guarantee facility) to create finance and enterprise solutions to the commercial barriers to exporting responsibly-sourced ASM gold from eastern DRC; and
3. **A Corporate Philanthropy/Social Responsibility window** - a social investment partnership with multinational companies designed to support livelihoods and economic development initiatives in ASM community.



## Assumption 4: Recycled gold is better than ASM gold – it's more affordable, accessible, and environmentally friendly

### The reality

Recycled gold is often cheaper than ASM gold and is currently more widely available. It appeals to many jewelers and their customers across Europe and the United States. Alongside the commercial advantages of using recycled gold, US jewelers interviewed by the Project were also more likely to particularly highlight its environmental appeal to consumers.

Despite the association between recycled gold and the environment, there is a debate as to the positive environmental impact recycled gold really has.

There is little evidence that the increased demand for recycled gold has reduced the demand for newly mined gold. Consumers purchasing recycled gold doesn't influence large and small-scale miners to adopt more eco-friendly methods of mining and mineral processing. There is no standard definition of recycled gold – meaning it could have been mined recently or centuries ago. Often, it's not clear where the gold being recycled originally came from.

Buying recycled gold doesn't necessarily insulate refiners and jewelers from the risks associated with the gold supply chain in general. These include human rights violations and money laundering.

There are also additional benefits to sourcing responsible ASM gold. By buying ASM gold, customers play a meaningful role in supporting communities across the globe that make a living from artisanal gold mining.

### What the Project and supply chain actors are doing

Ultimately, it's for jewelers to make their own choice as to the gold they source. We are working with a community of 60+ like-minded jewelry sector actors committed to learning more about sourcing ASM gold from the DRC. Together, they are exploring creative ways to include ASM gold in their products, sometimes in harmony with recycled gold. We will help them raise awareness of the benefits of responsible ASM gold and address common misconceptions with their clients.



## Assumption 5: Refiners that source from the DRC are irresponsible

### The reality

This is not true! Several reputable refiners and jewelers with good intentions have historically tried to source ASM gold from the DRC but have encountered too many challenges along the way. The Project has been designed having learnt from these experiences and is supporting refiners and jewelers to overcome the obstacles met previously. For many renowned refiners, sourcing ASM gold is an attractive opportunity to develop a new market and generate positive systemic impact. It is natural that refiners have different levels of risk appetite and sourcing ASM gold will be more immediately achievable for some than others. Like jewelers, they are influenced by their customers' demand for responsible ASM gold and will adapt their sourcing strategy accordingly.

### What the Project and supply chain actors are doing

Last year a group of like-minded refiners in North America and Europe came together to form a Community of Practice (CoP), facilitated by the Project. The CoP aims to share best practice among the group to address barriers to buying ASM gold from the DRC. Members are exploring ways of sourcing from the DRC which are commercially viable and comply with their robust due diligence standards. The Project is learning about refiners' preferences which is informing other supply chain actors decision-making as well as creating a strong foundation of learning which will be shared more widely with the sector. Jewelers will have the opportunity to learn about the sourcing practices of refiners through the new Jewelry Community, set up by the Project, before deciding whether to purchase ASM gold from the DRC.



## Assumption 6: Buying DRC gold fuels conflict and terrorism

### The reality

There is little evidence of a link between gold from the DRC and international terrorist activities. However, historically ASM gold has been used to fund the activities of violent state and non-state groups within the country. These organizations thrive in pockets of the country where there is weak governance and poor oversight of mine sites. Conflict is not caused by gold, but gold can be used to finance the groups responsible for it. If there is no market for responsibly sourced ASM gold from the DRC, local ASM communities are less likely to take steps towards formalization and responsible practices, and more likely to continue to work within the informal trade. The Project is working with sites where equipping communities with the capacity they need ensures their gold flows through legitimate channels.

Only when the private sector engages with miners and traders in the DRC to build responsible supply chains and provide a market for responsible gold, will it be possible to advance efforts to disconnect gold from conflict across more of the country, making them self-sustaining. The due diligence efforts of buyers provide greater insight into potential risks which can then be addressed. Supporting responsible ASM gold plays a role in reducing conflict and furthering peacebuilding. Gold mining can be a viable alternative livelihood for those who may otherwise have been persuaded to join armed groups.

### What the Project and supply chain actors are doing

Conflict risks are continuously assessed and mitigated against by due diligence providers and civil society. If the presence of armed groups is identified at a mine site which the Project is working with, the Project consortium and mining operators are alerted, and local authorities are contacted. For example, the Project team worked with the provincial government to support a mining cooperative in Luhifi when they were faced with involvement of unmandated soldiers on the mine site. Their advocacy resulted in the Military Auditorat ordering the soldiers to leave the mine site. Due diligence partner RCS Global drew up a monthly Corrective Action Plan with the cooperative, which they used with partners to address the identified risks on an ongoing basis.

The Project has partnered with NGO Peace Direct which supports ASM communities in Ituri as part of their peacebuilding mission, through local partner Centre Resolution de Conflits. They help former members of armed groups to transition to artisanal mining, establishing a mutually beneficial relationship which weakens the appeal of returning to conflict-related activities.

The Project has co-invested in a biometric identification service and technology. Mining cooperatives often have little information and/or control over who accesses their sites. With biometric identification, project-supported cooperatives are now able to ensure that unauthorized workers are prevented from accessing the site, providing an additional layer of security.

## Assumption 7: Due diligence on ASM gold is a cost to my business, confusing, and time-consuming

### The reality

All companies have a responsibility to do due diligence on their supply chain. Doing due diligence doesn't have to be overwhelming thanks to freely available resources created to support companies in monitoring, mitigating, and reporting risks. There is no one 'perfect' way to incorporate due diligence into your sourcing practices. Policies and processes will vary depending on the size and position of a business within the supply chain.

The cost of doing due diligence is an investment into future-proofing supply chains. Complying with due diligence requirements (such as the Dodd Frank Act as well as the EU Regulations) provides entrance to legal markets. This is valid for every up-, mid- and downstream actor. So, investments in supply chain due diligence should be shared among various actors along the length of the supply chain.

A solid due diligence process is necessary when sourcing ASM gold from high-risk or conflict-prone regions like the DRC as it gives you oversight of potential risks and the ability to address them swiftly. Businesses can make an informed choice as to whether to start or continue sourcing from a particular area. Sourcing can incentivize mining cooperatives and businesses along the supply chain to improve standards, which in turn has broader economic, social, and environmental benefits for upstream communities. The greater the uptake of good due diligence practices across the industry, the easier doing due diligence becomes for everyone.

### What the Project and supply chain actors are doing

In years 2 and 3, the Project conducted due diligence along the entire supply chain, via its due diligence partners RCS Global and BetterChain. Their partners and monitors are embedded within mining communities. From year 4 onwards, supply chain actors will need to invest in due diligence themselves. As well as creating a detailed picture of the market system and supply chains, the data collected has also provided much of the initial information buyers need to decide whether to take the first steps towards sourcing from the DRC. Working alongside cooperatives, the due diligence partners have built a system for identifying, reporting, and mitigating risks which involves local stakeholders. The data is verifiable and can be continuously updated. We provide education and support to mining cooperatives to comply with buyers' due diligence requirements, adopting a model of continuous improvement. The Project is working to understand different pricing models with an aim of encouraging the fair distribution of the cost of due diligence along the supply chain. This should allow a sustainable approach to due diligence when the Project's funding of the due diligence partners ends.

The Project's approach to due diligence is guided by the internationally recognized OECD Due Diligence Guidance. However, the guidance doesn't provide an exhaustive list of information needed to assess mine sites and doesn't provide concrete indicators for when buyers should suspend sourcing in the face of certain risks. By supporting businesses to align their interpretation of the guidance, we hope that the supply chains established will be sustainable long after the Project ends.



## **Assumption 8: Mining ASM gold requires mercury, which destroys biodiversity and environment and kills miners**

### **The reality**

Artisanal, small-scale, and large-scale mining around the world often involves the use of harmful chemicals. The use of mercury in ASM gold mining is common in many countries, including the DRC. It's preferred because it's the easiest way to fuse gold and make it as raw as possible. If not used carefully, mercury pollutes the environment and is a health hazard for miners.

There are ways to tackle harmful mercury usage. One option is to use techniques for mercury reduction. There are ways to ensure mercury doesn't leak into the environment and methods for protecting miners from its effects. The preferred option is to explore alternative methods altogether. Miners need to be educated on the risks of mercury usage and have access to the resources to adopt better practices.

### **What the Project and supply chain actors are doing**

The Project is aligned with global efforts to eradicate mercury from gold mining. Our supply chain partners understand that mercury use is a top concern for both US and European jewelers. We are advocating a continuous improvement approach to help miners transition to better and safer methods for processing gold. This allows supply chain actors to assess each site on a case-by-case basis.

The economic drivers of mercury usage and viability of alternative approaches differ between mine sites. Several options are available and are being supported by the Project in different regions, including soap washing, and various types of enhanced mechanical extraction. Solutions need to be tailored to the unique geology and challenges of the mine site and the requirements of the cooperative. Through activities carried out to support cooperative formalization and understanding and contributions by upstream actors to due diligence processes by potential responsible buyers, a holistic approach is developed, ensuring ensure new methods are sustainable.



## Assumption 9: ASM gold depends on forced labor

### The reality

Forced labor is present at some mine sites in Eastern DRC, given the pockets of conflict and insecurity which affect the DRC. Examples include food being conditional on excessive working hours or tasks at the mine site being allocated according to a worker's ethnicity.

But there are many miners who choose to work in the sector, mining for as many hours as they choose for an agreed payment. The risk of forced labor varies vastly between mine sites.

### What the Project and supply chain actors are doing

Betterchain and RCS Global, contracted by the Project's in years 2 and 3 to develop due diligence systems, have an established presence across multiple mining regions. Over many months, they built a robust due diligence assessment, monitoring and reporting system which scans for many potential risks, including forced labor at mine sites. We expect that they will continue to work with supply chain actors after their Project contracts have ended. Through them, the Project has conducted first and second tier reviews of over 35 mine sites and their associated cooperatives at the beginning of the Project. The system applies the OECD Due Diligence Guidance, the recognized global standard for companies sourcing gold from conflict-affected and high-risk areas.

In 2021, the Project worked with the UK Foreign Commonwealth and Development Office to train civil society organizations on addressing forced labor in Ituri. Local organization Justice Plus works in partnership with Betterchain to monitor risks at 10 ASM sites. They have trained stakeholders to identify forced labor risks and to use the DataStake platform to track and mitigate them. DataStake is accessible, scalable, and designed to promote a sustainable community-led approach to risk management. Buyers can access the verified platform data to conduct their own due diligence before deciding whether to purchase gold.

Through its partnerships, the Project is playing an active role in raising awareness among mining communities of forced labor. Global Communities is empowering mining cooperatives through its support program and through the RGIF. Nine civil society workshops have been conducted covering human rights risks. These included guidance on the signs of forced labor and how to tackle it.

## Assumption I0: Using ASM gold is incompatible with selling environmentally conscious jewelry

### The reality

All forms of mining, from small-scale to large-scale, have an impact on the environment. There will always be efforts to mine gold where viable deposits are discovered. Therefore, the challenge is to do it better, in a more environmentally friendly and safer way. Whilst ASM has a lower environmental footprint than LSM (Large Scale Mining), some practices associated with ASM do have negative environmental impacts. These include deforestation, soil degradation and water pollution. But they can be mitigated.

Avoiding sourcing at all from ASM means less oversight and therefore a higher likelihood of harmful environmental practices continuing unchecked. Miners can be incentivized to reduce their environmental impact and comply with legislation if they can access responsible supply chains and receive a fair price for their gold. Purchasing responsible ASM gold also generates social and economic benefits for mining communities, in turn providing greater resources for them to reduce the environmental risks of mining.

For more detail on recycled gold, see Assumption 4.

### What the Project and supply chain actors are doing

The DRC already has some legislation in place to prevent environmentally damaging ASM. Mining is forbidden in protected areas including national parks and new permits must be validated by the Ministry of Mines. The challenge is providing miners with the knowledge, tools, and incentives to comply with the law and reaping the wider benefits coming with protecting the environment.

The Project is monitoring the environmental risks across the potential partner sites and exploring with local partners how they can address these challenges. It's important to engage with mining cooperatives to understand the drivers of these practices and how best supply chain actors can support them to adopt more environmentally friendly methods of mining. It's unrealistic to expect miners to transform their ways of working overnight. The Project advocates the principle of continuous improvement, a philosophy which we learnt resonates with many jewelers.<sup>8</sup> By sourcing from cooperatives committed to improving their practices, buyers provide a helping hand on their journey to environmentally responsible mining.

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<sup>8</sup> <https://www.globalcommunities.org/market-analysis-of-north-american-gold-jewelry-market>

## Assumption 1 I: Sexual violence and gender discrimination are rife on ASM sites

### The reality

Women make up 30-50% of the global ASM workforce.<sup>9</sup> ASM provides good income generating opportunities for women, contributing to their social, economic and political empowerment. Women in the DRC are comparatively more respected in ASM than in many countries. Many play an active role in mining activities, and some are senior managers in cooperatives. Women demonstrate their entrepreneurial acumen by establishing restaurants and other services in mining communities. In one site supported by the Project in South Kivu, women are in leadership positions as pit leaders. However, women do continue to face challenges in the sector, which the Project is working to address. Cultural superstitions can lead to gender discrimination, with women's presence at mine sites sometimes being viewed as bringing bad luck. If they are allowed to work on site, women are still more likely to take on lower paid tasks such as washing gold. Women and girls in Congolese society face risks of sexual and gender-based violence (SGBV) and sexual exploitation. Mine sites are not insulated from these risks and can sometimes exacerbate them.

### What the Project and supply chain actors are doing

Betterchain and RCS Global, contracted by the Project's in years 2 and 3 to develop due diligence systems, have an established presence across multiple mining regions. They built a robust due diligence assessment, monitoring and reporting system which scans for many potential risks, including SGBV, sex work and sexual exploitation at mine sites. Cooperatives and local stakeholders report issues, including to local authorities and they seek support from local women's rights organizations.

Local women's organization Initiative des Femmes Entrepreneurs pour le Developpement Durable (IFFED) has built on the Project's risk monitoring tool. Based in Goma, the non-profit aims to address the challenges women and girls face in and around ASM sites. The initiative focuses on economic empowerment but in doing so, seeks to tackle one of the main barriers to women's advancement, SGBV. Buyers can liaise with organizations like IFFED and others for further information of how women are being supported in ASM.

More broadly, the Project aims to promote equity and inclusion along the supply chain and help improve the lives of women working in mining in eastern DRC. We seek out and support cooperatives which encourage women into leadership roles. For example, we are partnering with a cooperative in Luhifi, led by a woman. We have worked with the Black in Jewelry Coalition (BIJC) to promote social justice in the supply chain, including through a joint webinar in April 2021. This allowed an audience from the US and Europe to hear directly from the leaders of a Project-supported cooperative, allowing the voices of the mining communities to be heard directly.

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<sup>9</sup> USAID. 2020. Gender Issues in the Artisanal and Small-Scale Mining Sector. Land Links, USAID. <https://www.land-links.org/issue-brief/gender-issues-in-the-artisanal-and-small-scale-mining-sector/>





## Assumption 12: Working in ASM is deadly, there's no regard for health and safety

### The reality

Working conditions in ASM globally need to be improved. Millions are drawn to mining because it can offer greater income than other rural livelihoods. However, most do not have the resources to access personal protective equipment, and many have become used to mining in certain ways without regard for the safety of themselves or others. It takes time to raise awareness of the need for safety measures and change mindsets. Through the Project, we're encouraging the miners to take important small steps to mitigate the worst risks and incentivizing a continuous improvement in standards.

### What the Project and supply chain actors are doing

There is national legislation to ensure minimum safety standards, but miners need the support and incentivization to comply with the requirements. The aim of the Project is to support the development of a market for responsible ASM gold and offer practical support to miners including by linking them to it. During their time on the project, due diligence partners, alongside local stakeholders, have assessed health and safety risks at the sites and developed monthly Corrective Action Plans to identify how things can be improved. Local partners who can provide personal protective equipment (PPE) to ASM cooperatives have received support from the Project's Responsible Gold Innovation Fund. There is scope for supply chain investors to also fund the provision of PPE. Cooperatives need access to training, as well as long term plans for how health and safety standards will continue to improve beyond the life of the Project. Buyers can set their own expectations for mining cooperatives to further support and incentivize them to improve working conditions.



## Assumption 13: The only way to source responsibly is by buying certified gold

### The reality

You do not need a third-party certification to do responsible sourcing. Fundamentally, responsible sourcing is about understanding the impacts of materials being sourced by identifying risks, ensuring they are managed, and identifying ways to support risk mitigation. This should allow communities to benefit more fairly from their own natural resources.

Certification schemes offer one route to responsible sourcing, with many advantages.

Initiatives like Fairtrade and Fairmined supply certified gold. This means jewelers can buy gold from a supply chain which meets certain standards, and these have been certified by a third party. ASM sites can be challenging for buyers to engage with, so certification organizations act as an expert intermediary. They support miners to meet the certification requirements and improve buyer's visibility of the gold production process. Certifications provide assurances to buyers that responsible practices are in place and can make gold jewelry easier to market as jewelers can tap into the resources of a well-established brand. If jewelers choose to be certified themselves, there is the added benefit of feeling part of a community of like-minded jewelers.

Whilst there are many benefits to certification schemes, they're not feasible in most ASM contexts.

For the majority of the world's estimated 40 million artisanal miners, the standards required to achieve certification are simply out of reach and too expensive in the short term. They remain excluded from responsible supply chains and lack any incentive to sell their gold through legitimate channels. The

cooperatives we partner with in the DRC have taken impressive steps to mitigate risk in their supply chains but are not yet fully ready to trade in certified responsible gold. But we believe that through engagement and support to address the most pressing risks, they can begin the journey. Establishing market channels for legally traded, non-certified responsible gold is an essential step in the right direction - from there, and with ongoing support from supply chain partners, they can continuously improve to raise standards at mine sites over time.

### **What the Project and supply chain actors are doing**

When interviewed, 25% of North American jewelers and a small proportion of European jewelers said they would only consider buying ASM gold from the DRC if it came with third-party certification. However, most are more concerned about sourcing from a supply chain that meets certain, transparent standards. They recognise that responsible sourcing is possible without certification. More critical is trusted information about how miners are addressing risks to meet a clear standard. Our model promotes continuous improvement, recognising that it will take time for mining cooperatives to improve their practices.

Whether buyers purchase certified or non-certified ASM gold, they still have a responsibility to do their own due diligence<sup>10</sup> with support from the Project. Our due diligence partners developed a system for identifying, monitoring and addressing risks at the mine sites based on the internationally recognised OECD Due Diligence Guidance. This provides all the information buyers need to decide whether to source from the DRC. Gold exports supported by the Project, where due diligence partners have conducted monitoring on the export, could include a statement as to the performance of the shipment against international requirements. The compliance statement, as well as the due diligence data from the supply chain, will help jewelers communicate to customers and standard setters about the gold they are sourcing. The Project will also support jewelers with marketing materials to help them tell the story of the gold to their customers.

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<sup>10</sup> According to the UN Guiding Principles on Business and Human Rights  
[https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf)



## Assumption 14: EU and US legislation make it risky and complicated to buy gold from the DRC

### The reality

The US government and the European Union have laws in place which apply to *publicly listed US companies* with products containing gold from the DRC and *EU importers* of gold from conflict affected and high-risk areas respectively.

These requirements will not apply to most jewelers sourcing from the DRC through the Project, given their company size, position in the supply chain and legal status. Refiners supplying gold to US publicly traded companies will need to be prepared to assist their due diligence efforts. Refiners importing gold into the EU will need to conduct due diligence. Jewelers and non-importing refiners should conduct due diligence in line with the OECD Due Diligence Guidance.

**The Dodd Frank Wall Street Reform and Consumer Protection (Dodd Frank) Act**, in force since 2012, includes a provision (section 1502) aimed at tackling conflict minerals in the DRC. Research by IPIS (International Peace Information Service) points to a link between the introduction of the Act and due diligence programs with a decline in armed group presence at gold mines in eastern DRC.<sup>11</sup> The Act does not ban or penalize companies sourcing from the country. Instead, it places a disclosure requirement on *publicly listed US companies* with products containing gold and three other metals. They must conduct due diligence to identify if their products contain conflict minerals and report their findings to the Securities and Exchange Commission. If there is evidence that they are sourcing conflict minerals, they must file an additional report. US refiners with US clients who are publicly trading companies will need to provide these companies with the due diligence information they need to complete the disclosure and reporting requirements. Jewelry manufacturers supplying publicly traded companies may be required to provide gold origin information to comply with purchaser's due diligence policies.

In 2021, the **EU Conflict Minerals Regulation** came into effect. It applies to *EU importers* of gold from conflict-affected and high-risk areas, including eastern DRC. Importers are required to conduct due diligence on these supply chains in line with the OECD Due Diligence Guidance and provide the following information: trade name and type of mineral; supplier details; mine of origin; location of mineral consolidation, trade and process; taxes, fees and royalties paid. Jewelers and non-importing refiners are encouraged to conduct due diligence in line with the OECD Due Diligence Guidance.

### What the Project and supply chain actors are doing

Following the introduction of a Withhold Release Order relating to ASM gold from the DRC by the US Customs and Border Agency in 2019, buyers may be concerned about gold being held at the US border on import. As a US government-funded project, we anticipate the government will assist the smooth import of gold into country. For more information on due diligence and support to companies, please refer to Assumption 7.

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<sup>11</sup> IPIS. Web map of DRC. [Accessed 2 Nov 2021] <https://www.ipisresearch.be/mapping/webmapping/drcongo/v6/#-3/28/5/4/1/2.1nxkao.4.1c>; PRG, IPIS, SFR, and Ulula. 2020. Evaluating Due Diligence Programs for Conflict Minerals: A Matched Analysis of 3T Mines in Eastern DRC. Los Angeles and Antwerp.



## About USAID's Zahabu Safi (Clean Gold) Project

Launched in December 2018, the five-year Project builds on recent successes achieved by donor-funded initiatives to export responsibly produced gold to jewelry buyers in North America and Europe. The goal is to establish a viable, conflict-free, artisanal and small-scale mining (ASM) gold supply chain originating from eastern DRC.<sup>12</sup>

The Project's three main objectives are:

1. To increase demand for and co-investment in conflict-free, traceable, responsible ASM gold from eastern DRC;
2. To increase exports of conflict-free, traceable, responsible ASM gold from eastern DRC; and
3. To improve the commercial viability of ASM gold cooperatives.

The Project is being implemented by Global Communities in partnership with Levin Sources and in collaboration with Better Chain and RCS Global Upstream Ltd.

At Levin Sources, we are focused more specifically on mid- and downstream actors in the gold supply chain. We work to uncover the barriers to sourcing ASM gold from eastern DRC and support businesses to test out solutions to overcome them. Over the last three years we have interviewed refiners and jewelers from across Europe and the US as part of the Project's Gold Market Analysis series.<sup>13</sup> They shared their concerns about sourcing ASM gold from the country, as well as ideas to

<sup>12</sup> In compliance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. OECD. 2016. OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264252479-en>

<sup>13</sup> The Zahabu Safi (Clean Gold Project). 2019. Market Analysis: Artisanal and Small-Scale Mining Gold (ASM) from Eastern Democratic Republic of Congo. USAID. <https://www.levinresources.com/knowledge-centre/publications/market-analysis-asm-gold-eastern-drc> ;The Zahabu Safi (Clean Gold Project). 2021. Market Analysis of North American Gold Jewelry Market. USAID. <https://www.levinresources.com/knowledge-centre/insights/asm-gold-jewellery-blm>

make the prospect more appealing, both commercially and in terms of their responsible business values and practices.

Throughout our conversations with jewelers and refiners, the same assumptions cropped up. These common (mis)perceptions were often cited as reasons why companies would be hesitant to purchase ASM gold from eastern DRC. They included blanket statements about serious supply chain risks, low consumer demand for ASM gold and a lack of awareness about responsible sourcing in contexts like the DRC. We were concerned that several companies that could be interested in the sourcing opportunity were being put off by these assumptions. This document unpacks the most common assumptions, providing insights into the realities on the ground and demonstrating how the Project is addressing these challenges. We clarify industry guidance regarding responsible sourcing and what this means when it comes to sourcing from eastern DRC. We recognize that some challenges go beyond the scope of the Project and highlight the impact refiners and jewelers which source from the region will have over time. Above all, we hope this core document, along with supporting material enables companies to make an informed choice when it comes to sourcing ASM gold from eastern DRC.

In addition to this document, the Project has developed a wide range of market studies and other learning briefs that potential ASM investors can access, if interested in sourcing from Project-supported suppliers.

[Market Analysis on ASM gold from Eastern DRC](#)

[Analysis of the North American Jewelry Market](#)

[Transport and Logistics Analysis](#)

We're developing case studies and sharing learning briefs and other information which those of you aiming to invest in the Project-supported supply chains can use to support your own decisions. You can find that additional information [here](#) and [here](#).

You can sign up to the Project's newsletter [here](#).

