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# CAPACITY BUILDING FOR A RESPONSIBLE MINERALS TRADE (CBRMT)

RESPONSIBLE SOURCING OF ARTISANAL GOLD FROM  
MATETE, MANIEMA, DR CONGO



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COVER PHOTO: Artisanal gold mining in Matete (Maniema Province, DRC). Photo Credit: Catherine Picard.

# ACRONYMS AND ABBREVIATIONS

ASM	Artisanal and Small-Scale Mining
CBMRT	Capacity Building for a Responsible Minerals Trade
CDC	<i>Cadre de Concertation</i>
CEEC	<i>Centre d'Expertise, Evaluation, et Certification</i>
CLS	<i>Comités Locaux de Suivi</i>
COMICA	<i>Coopérative Minière des Creuseurs Affectés</i> (Namoya, Maniema Province)
CPS	<i>Comités Provinciaux de Suivi</i>
CSO	Civil Society Organization
DDG	Due Diligence Guidance
DRC	Democratic Republic of the Congo
EMMP	Environmental Management and Mitigation Plan
FARDC	Armed Forces of the Democratic Republic of Congo
GDRC	Government of the Democratic Republic of the Congo
ICGLR	International Conference on the Great Lakes Region
IOM	International Organization for Migration
ITOA	<i>Initiative de Traçabilité de l'Or d'Exploitation Artisanale</i> (Traceability Initiative for Artisanal Gold)
KYC	Know Your Customer/Know Your Client
LBMA	London Bullion Market Association
LSM	Large-Scale Mining
MoU	Memorandum of Understanding
OECD	Organization for Economic Cooperation and Development
PAC	Partnership Africa Canada
PAMP	<i>Produits Artistiques</i>
PDV	<i>Pointe de Vente</i>
RCM	Regional Certification Mechanism
SAESSCAM	<i>Service d'Assistance et d'Encadrement du Small-Scale Mining</i> (Small-Scale Mining Technical Assistance and Training Service)
SOKIMO	<i>Société minière de Kilomoto</i>
UN	United Nations
USAID	United States Agency for International Development
ZEA	<i>Zone d'Exploitation Artisanale</i> (Artisanal Exploitation Area)

# 1.0 OBJECTIVES OF PILOT PROJECT

The Capacity Building for a Responsible Minerals Trade (CBRMT) project will act as a test bed for the traceability of legal artisanal and small-scale (ASM) gold, in order to support the Government of the Democratic Republic of the Congo (GDRC), the international community, large-scale mining (LSM) companies, and other critical stakeholders in their efforts to establish credible and sustainable systems for exporting artisanal gold from the Democratic Republic of the Congo (DRC). CBRMT pilot models will contribute experience and knowledge around the practice of establishing and sustaining traceable and legal gold supply chains, and support efforts to formalize the ASM sector in order to foster a favorable investment climate for development in the DRC.

While significant progress has been made in establishing traceability and due diligence in the tin, tantalum, and tungsten sector, the absence of a legal and well-regulated artisanal gold sector in the DRC remains a major challenge for the region. The trade in illegally mined, taxed, and smuggled gold is implicated in fueling high-level military corruption as well as illegal rebel groups in eastern DRC.<sup>1</sup> Moreover, the majority of the DRC's artisanal gold is exported illegally, resulting in an annual net loss of millions of dollars in tax revenues for the GDRC.<sup>2</sup>

For those who mine and trade in artisanal gold, there are few to no prospects for acting in a legal manner in an environment impaired by an unfavorable tax structure, no proven traceability systems for gold, limited government resources and capacity to conduct due diligence in accordance with international guidance, and few international buyers willing to buy and export legal, artisanal gold. Despite these constraints, CBRMT seeks to prove that the trade of legal artisanal gold is not only possible, but preferential, for those members of the supply chain who rely on ASM gold for their livelihood. At Matete we have conducted an initial baseline assessment to create a tailored Traceability and Due Diligence Plans. Stakeholders have been consulted during the formative stages of CBRMT's pilots in order to understand their interests better, respond to their needs and constraints, and garner their support. Regular engagement with LSM gold operators will also be necessary to obtain a comprehensive understanding of collaboration between ASM communities and LSM concessionaires. Our proposed plan addresses the CBRMT program's limited timeframe and resources, will test multiple approaches, and will engage with multiple stakeholders to build a platform for a sustainable and formalized artisanal mining system for the responsible sourcing of conflict-free gold from the region.

At Matete, CBRMT will advance the piloting of the *Initiative de Traçabilité de l'Or d'Exploitation Artisanale* (ITOA) system. At all pilot sites, we will support the formalization of participating cooperatives and actively develop the capacity of civil society to monitor legal gold systems. CBRMT will also strive to provide ASM communities with incentives to participate in the form of production-

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<sup>1</sup> The Enough Project. Congo's Conflict Gold Rush. (2015). Available at: <http://www.enoughproject.org/reports/congo%E2%80%99s-conflict-gold-rush>

<sup>2</sup> USAID. CBRMT Gold Assessment. (2015). Available at: [http://www.resolv.org/site-ppa/files/2015/06/CBRMT-Gold-Assessment\\_REVISÉD-FINAL-WITH-COPY-EDIT.pdf](http://www.resolv.org/site-ppa/files/2015/06/CBRMT-Gold-Assessment_REVISÉD-FINAL-WITH-COPY-EDIT.pdf)

improving equipment, business skills training, legal financing, and access to competitive prices for ASM gold.

## MATETE PILOT PROJECT, MANIEMA PROVINCE

**Background:** Following the methodology from the April 2015 Gold Implementation Plan, CBRMT will adopt a phased approach at the Matete pilot as shown in Table 2.2 below. Matete is comprised of three mining areas (Kimabwe, Kamungazi, and Lubondozi), which were validated as “green” in December 2013 (N° Arrêté 0682). These areas are subdivided into 13 *chantiers*, or mine sites, all of which are located adjacent to Banro’s industrial Namoya mining concession. Matete has a number of positive attributes for a pilot including *zone d’exploitation artisanale* (ZEA) status at the provincial level, a registered artisanal mining cooperative (COMICA), an absence of armed groups and relative security, and strong support from Banro. CBRMT has completed the assessment phase at Matete, having concluded four baseline studies: a Cooperative Capacity Assessment, a Socio-economic Assessment, a Mining and Environmental Assessment, and a Supply Chain Assessment.

**TABLE 2.2: MATETE PILOT SITE**

<b>Phase One: Assessment – Months 1–4</b>	
<b>Activities:</b>	<b>Completed Reports:</b>
<ul style="list-style-type: none"> <li>• Miner and Site Assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Mining and Environmental Assessment (Herve Ponou)</li> </ul>
<ul style="list-style-type: none"> <li>• Socio-economic Research and Stakeholder Engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Socio-Economic Assessment (Dr. Zephirin Mogba)</li> </ul>
<ul style="list-style-type: none"> <li>• Training Module Development</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperative Capacity Assessment Report (Safanto Bulongo) and Training Plan (CBRMT)</li> </ul>
<ul style="list-style-type: none"> <li>• Supply Chain Assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Supply Chain Assessment (RCS Global), Pre-Finance Plan, and Equipment Plan (CBRMT)</li> </ul>
<ul style="list-style-type: none"> <li>• Traceability and Due Diligence Planning</li> </ul>	<ul style="list-style-type: none"> <li>• Traceability and Due Diligence Plan (RCS Global)</li> </ul>
<b>Phase Two: Implementation and Capacity Building – Months 5–14</b>	
<b>Activities:</b>	<b>Deliverables:</b>
<ul style="list-style-type: none"> <li>• Supply Chain Establishment</li> </ul>	<ul style="list-style-type: none"> <li>• Weekly Progress Reports</li> <li>• Quarterly Reports</li> </ul>
<ul style="list-style-type: none"> <li>• Technical Training</li> </ul>	
<ul style="list-style-type: none"> <li>• Communications Planning and Implementation</li> </ul>	
<ul style="list-style-type: none"> <li>• Traceability Approach Implemented</li> </ul>	
<ul style="list-style-type: none"> <li>• Due Diligence Approach Implemented</li> </ul>	
<ul style="list-style-type: none"> <li>• Mercury Baseline</li> </ul>	
<ul style="list-style-type: none"> <li>• Cooperative Capacity Development</li> </ul>	
<b>Phase Three: Export and Sustainability – Months 15–18</b>	
<b>Activities:</b>	<b>Deliverables:</b>
<ul style="list-style-type: none"> <li>• Export of Legal ASM Gold</li> </ul>	<ul style="list-style-type: none"> <li>• Final Report</li> </ul>
<ul style="list-style-type: none"> <li>• Plan for Pilot Area Sustainability</li> </ul>	

**Assessment and Scoping Trip Findings:** The purpose of these assessments was to develop an Organization for Economic Cooperation and Development Due Diligence Guidance (OECD DDG) and London Bullion Market Association (LBMA) Responsible Gold Framework conformant Traceability and Due Diligence Plan for the Matete site, using the best available information. The assessments showed the promise for Matete as a pilot location, while also highlighting a number of challenges. The findings in

these assessments have driven CBRMT’s approach to due diligence, traceability, staffing, downstream partnership, capacity building, and financial and equipment interventions. For the sake of brevity, we will not repeat all of the findings from the four assessments and CBRMT scoping trips; however, some of the foremost conclusions from these reports are presented in Table 2.3.

**TABLE 2.3: KEY FINDINGS FROM THE MATETE ASSESSMENTS AND SCOPING TRIPS**

KEY FINDINGS
<b>Site Characteristics</b>
There is sufficient mineralization of the Matete pits to move forward with the pilot project
It is necessary to improve mining production methods in order to help overcome the major organizational deficiencies of the cooperative and local mining services in order to provide incentive for pilot project participation. The pilot must work toward greater productivity, profitability, and safety at all Matete sites.
Environmental degradation and mercury usage can be improved through enhanced mining techniques and environmental management. Artisanal miners have dramatically altered the ecological landscape and water systems at Matete with attempts to capture gold through inefficient engineering tactics.
<b>Supply Chain Characteristics</b>
Labor for artisanal gold production at Matete is typically pre-financed by third-party actors.
Pre-financers and providers of supply chain financing represent a diverse group of people at Matete (including women) and is an important livelihood complementing activity. Where possible, local pre-financing should be integrated in the new production model.
Gold from Matete is largely channeled through Bukavu. The baseline assessments have identified KYC issues with two of the three known <i>comptoirs</i> operating in Bukavu.
High gold prices (\$US40/kitchele gram) paid by local <i>négociants</i> limit the ability of the pilot project to pay higher gold prices than local market rates without dramatic improvements in supply chain efficiency.
<b>Local Stakeholders</b>
Miners are working illegally without miner registration cards. Local technical services are complicit and accepting of this practice, as they wish to tax production.
COMICA has major capacity gaps and is not run as a democratic or transparent institution. COMICA was created from the top down by provincial and local elites. Seen as an imposition on the local ASGM community of Matete, this has created tensions and distrust at the community level.
The <i>Service d’Assistance et d’Encadrement du Small-Scale Mining</i> (SAESSCAM) has three full-time agents in Matete. At the time of the assessment, local agents had not received their salary for more than 18 months and need capacity development.
Local civil society is nascent and has limited capacity to undertake meaningful work as pilot project partners. Many of these civil society organizations (CSOs) are highly politicized outfits. A community-supported due diligence system is necessary in light of the shortcomings of CSOs in the locality.

**Due Diligence Approach:** Due diligence procedures at Matete include policies and management systems to provide assurance that gold has been produced, transported, sold, and exported in conformance with the OECD DDG and the LBMA Responsible Gold Framework. Below we present a summary of the four due diligence steps to be implemented by the CBRMT field team. These are further detailed in the Traceability and Due Diligence Plan:

- I. **Foundational due diligence** requires the completion of baseline assessments, the KYC questionnaire, and the Supply Chain Evaluation questionnaires used for engagement with the supply chain. These documents are designed to obtain third-party views on risk in the supply chain and essential KYC information. This enables downstream buyers to satisfy regulatory requirements and for a field-based assessment of the supply chain, including confirmation of International Conference on the Great Lakes Region (ICGLR) green site status. Typically these

foundational due diligence checklists are completed by the exporter; however, CBRMT and our consultants have effectively completed the questionnaires. As CBRMT defines the exporter of record for the pilot project, our field team will work together with the exporter to update these forms based on up-to-date information from the field.

- II. **Investment feasibility** refers to all legal, contractual, and financial requirements for the pilot. This includes engagement with supply chain participants to finalize KYC issues, set up communication channels, and establish legal documents. This step will also establish local support structures such as the *Comités Locaux de Suivi*, staffing, office sites, and equipment. CBRMT has begun work on these items, which will rapidly progress once we mobilize our Matete field staff in April 2016 and start bringing equipment to the field. There is currently no existing *Comité Local de Suivi*, so one must be developed. Proper due diligence (and overall sustainability of the project) requires a *Comité Local de Suivi* in Matete to represent community stakeholders, air and resolve grievances, and obtain community support. As the project should be handed over to local community stakeholders eventually, the program implementer should consult within the community to ensure all relevant stakeholders are included.
- III. **Set up** includes the items needed to launch the due diligence and traceability systems. This includes ensuring that stakeholders are effectively trained, miner registration occurs, management system are adopted by supply chain partners, ITOA traceability is set up, local monitoring systems are piloted, and the Supply Chain Validation Report is correctly completed.
- IV. **Implementation** includes application of supply chain risk identification and mitigation systems, public reporting, and audits. It is necessary to ensure control protocols from mine site to point of sale (PDV) to export, as well as ongoing risk assessment and mitigation. Reporting on the supply chain is part of the obligations under the OECD guidance and serves to build trust in the supply chain. In addition, the program implementer and traceability provider must provide the refiner with the Supply Chain Validation Report templates on export.

**Traceability Approach:** At Matete, CBRMT is in the process of signing a Memorandum of Understanding (MoU) with the *Centre d'Expertise, Evaluation, et Certification* (CEEC) to pilot a traceability system for artisanal gold, ITOA. Developed by the CEEC, ITOA is based on the use of tamper-proof “smart bags” to create a secure chain of custody as gold moves from the mine site to the exporter. Each smart bag includes a bar code, and they bags are differentiated by color, size, and price depending on their stage in the supply chain. Responsibilities for bagging and oversight of data collection using the ITOA system are described as follows and in Table 2.4

- I. **Bag A – For use at a specific mine site with primary oversight by SAESSCAM.** SAESSCAM is responsible for ensuring the gold is placed in a tamper-proof bag. The bag should also have a tag with the following data: name and location of the mine site where the gold was extracted, the name of the cooperative, the quantity of gold (grams), the name of the SAESSCAM agent verifying the weight, and the date of issue.
- II. **Bag B – For use at the PDV where the gold is transported to and purchased by a négociant with oversight by Administration des Mines (ADM), CEEC, and SAESSCAM.** Information includes details about the *négociant*, provenance, and weight of the gold being sold in addition to the previous information gathered.

- III. **Bag C – For use at the comptoir with oversight by CEEC.** Information includes details about the *comptoir*, the *négoçant*, and any other previous data collected relative to the weight, provenance, and location of the mine site.
- IV. **Bag D – For use at the exporter,** CEEC verifies all previous information collected and adds information related to the importer. The CEEC then issues the ICGLR-Regional Certification Mechanism (RCM) certificate.

**TABLE 2.4: ITOA ROLES AND RESPONSIBILITIES**

BAG TYPE (SACHET)	WHERE	RESPONSIBILITY	ESTIMATED PRICE (\$US)
A	Mine Site	SAESSCAM	2.5–3
B	<i>Centre de Négoce</i> (PDV)	ADM	5
C	<i>Comptoir</i>	CEEC or <i>comptoir</i>	7–8
D	CEEC	CEEC after export analysis	15–20

CBRMT will should split production sites into manageable units. Matete is based on the 13 existing *chantiers*.

- Map each active mine pit within the unit by identifying who manages it, which miners are operating them, and the general conditions of the site. A responsible manager (*chef de chantiers*, CDC) for the *chantier* is designated or elected based on local requirements.
- Register all participants, from miners to buyers, using cards (ideally machine readable, waterproof, and with photo identification). The pictures will be taken at the time of the card issuance, and no miner will need to provide his own picture. Card issuance should be free of charge. The card is fundamentally different from the *Carte de Creuseur* issued by SAESSCAM as it does not grant miners the right to conduct mining activities, but rather allows them to conduct such activities (provided that they do indeed have a *Carte de Creuseur*) within the framework of the scheme.

Important steps for the chain of custody approach after this registration process include:

- I. The CDC is responsible for making rounds and checking that only miners registered to the pits are in the mine site. At the end of each working day, the CDC signals for mining activity to stop.
- II. The CDC, a SEASSCAM agent, and the pit representative (the second in command after the pit operator) journey by foot to the PDV, thereby ensuring some level of protection due to their numbers and that work is shut down. At the PDV, the CDC is met by the program implementer and buyer. The ITOA system of bags is used from the point until sufficient gold has been gathered—either at the mine site or at the PDV, depending on concentration methods, traceability procedures, and production volume.
- III. Valuation, purchase, official registration and taxation, and secure storage occur at the PDV. The PDV is also the center for benefits, including rental of equipment. The process of recording information is as follows:
  - a. Weight from each bag is marked down in both electronic and hard copy document. Meaningful discrepancies are noted in both paper and virtual documents. The miners are informed of the indicative value of production at the day’s London Metal Exchange (LME) fix price.
  - b. Daily production is added to the stored material. This new total is weighed.
  - c. The new total is written down in both documents and becomes the new reference value.



- d. The written document to be completed is signed in front of the daily entry by the program implementer, the CDC, and the pit representative.
- e. The program implementer, the CDC, and the pit representative sign off on the total value, which is then recorded in the *chantier's* volume summary.
- f. Payments are then made to the CDC, if daily payments are required.

This recommended traceability management framework will be structured to be as simple as possible, using the existing resources in the ITOA system as well as of the local community stakeholders. While specific to Matete, the structure is replicable elsewhere as it uses principles of organization and management. The overall design and implementation of the traceability system is the responsibility of the traceability provider, the CEEC. Training on the ITOA system will be necessary in order to effectively meet the standards demanded by downstream buyers. However, CBRMT believes that supporting the development of a Congolese traceability system is critical to scaling up legal ASM gold from the DRC.

This approach to traceability and supply chain management relies upon effective cooperation between government agencies to function. The project hopes that the physical system will be backed by web-accessible software starting in summer 2016. Should the ITOA bags not be ready on the same timetable as the pilot project launch, CBRMT will begin with a paper-based traceability system for initial exports until the bags are delivered to CEEC. In order for the traceability system to operate effectively, the following actors must be sufficiently trained and able to carry out their tasks as assigned:

- I. Miners, CDCs, and cooperatives trained on ITOA, data collection, and how to handle, transport, and value the gold;
- II. *Comités Locaux de Suivi* and the program implementer trained to ongoing monitoring of overall program; and
- III. As the implementing partners of ITOA, CEEC, ADM, and SAESSCAM trained to implement the traceability system.

The ITOA system is currently in the pre-feasibility phase, which means that a test export is required in order to pilot the feasibility of the system. Key ITOA issues for CBRMT to explore during the test export include:

- ***The bag system and any redundancies found with the four different bags.*** It may be that four bags are not needed for this supply chain. CEEC understands this, and seems open to altering the system based on the specifics of the supply chain.
- ***The suitability and workings of the information technology (IT) system.*** It is currently difficult to gauge whether the IT system that ITOA plans to use is functional or fit for purpose. The system is the same as that used for LSM exports. There are also questions about the efficiency of and process for connecting the paper-based documentation to an IT-based system. It may be necessary to use a mobile recording platform from the onset of the project.
- ***ITOA System Documentation.*** It is not clear whether the ITOA system will be issued in conjunction with or replace certain official documents such as the *Attestation de Transport de Minerals* (ATM). In the case of the ATM, this cannot be issued by law in Maniema, an issue which must be clarified prior to export.

**Staff Resources:** CBRMT will staff the Matete pilot with one full-time Project Manager, one full-time Financial Manager, and two full-time Field Agents at the onset of field activities. The Project Manager will be the overall manager of the Matete pilot. CBRMT is actively recruiting for this position at the time of this report, and the final candidate will have expertise in ASM, minerals traceability, and business management. The Financial Manager will be responsible for oversight of gold purchases at the PDV, overall management of the project finances and accounting, finance procedures, equipment rental pool, and trainings on financial management for COMICA. The Field Agents will be responsible for incident management and due diligence tasks, equipment sustainability, miner registration and data collection, and other field tasks as necessary. As the project scales up, it may become necessary to procure the services of a local *négociant* to act as the official buyer of gold.

These full-time staff will be supported by short-term technical expertise on equipment usage and traceability. Staff will report to the CBRMT Eastern Congo Coordinator, who will travel to Matete with these new project staff during their mobilization in May 2016. As ASM gold from Matete will be preliminary processed and stored at the PDV, CBRMT must ensure that a staff member is present at all times that sales are occurring there.

**Downstream Partnerships, Export, and Financing:** CBRMT has established support from downstream entities who could potentially provide critical support such as inventory finance if due diligence criteria are met. CBRMT, with the assistance of many downstream stakeholders. CBRMT is now exploring a set of alternatives centered on the two export scenarios presented in Table 2.5:

**TABLE 2.5: MATETE PILOT PROJECT GOLD EXPORT SCENARIOS**

EXPORT OPTION	BENEFITS TO OPTION	CHALLENGES WITH OPTION
<b>Kinshasa Export:</b> Gold will be flown to Kinshasa in CEEC smart bags (can be with Namoya Mining flight if it is ensured that this does not contaminate production). Once bags arrive in Kinshasa, they will be delivered to an exporter of record with established downstream relationships.	If ASM GOLD is flown to Kinshasa to a reputable exporter, with a pre-established relationship with one of the few LBMA Good Delivery List refiners, then the pilot can access inventory finance from the downstream. Flying ASM gold from Namoya to Kinshasa is much more secure than relying on road travel. It is a possibility that CEEC/COMICA could be exporter of record.	It is not known at this time if any exporters in Kinshasa will be able to deliver gold to a refiner on the LBMA Good Delivery List. Low volumes of production may necessitate that gold be mixed into gold from other sources upon export. Sustainability of the model is not secure after CBRMT pilot oversight ends.
<b>Bukavu Export:</b> ASM gold is exported through the current supply chain, with due diligence and traceability assurances added to the system. This means establishing a relationship with a Bukavu <i>comptoir</i> and a to-be-determined number of <i>négociants</i> who are willing to partake in the pilot project.	Utilizing the existing supply chain improves model sustainability and benefits local stakeholders involved in the existing gold supply chain.	KYC checks on all of the supply chain stakeholders who currently transport gold will be extremely challenging. There will be no opportunity to pay higher prices (only to pay less, as traceability costs need to be built in). There would be limited connections to the international market.

CBMRT will explore both of these options simultaneously in order to move forward with multiple routes of export. There is a legal and practical need for CBRMT to identify and partner with an official exporter of ASM gold. The selection of this exporter has impact on the due diligence program, as in the model proposed in our Traceability and Due Diligence Plan, management systems and due diligence obligations are typically assigned to the exporter. CBRMT is working closely with the CEEC on both export options

described above, as they are keen to see the pilot project and the ITOA traceability system succeed. One export option could be for COMICA with CEEC assistance to act as the exporter of record, should the logistics of moving the ASM gold to a responsible refiner be possible. This is beneficial because CEEC can store them gold at their safe, do the analysis, and prepare the documents for export. Alternatively, an existing *comptoir* in Bukavu or in Kinshasa can be the exporter of record, should they be willing to partner and undergo (and pass) KYCC background reviews. See Table 2.6 for a comparison of these two options.

**TABLE 2.6: EXPORTER OF RECORD OPTIONS**

EXPORTER OF RECORD	PROS	CONS
<b>CEEK/COMICA</b>	<ul style="list-style-type: none"> <li>• Capacity building of Congolese institutions</li> <li>• A known and established entity, located in required areas</li> <li>• Could become a long-term partner</li> <li>• Makes sense from due diligence standpoint, as management systems will be assigned to COMICA</li> </ul>	<ul style="list-style-type: none"> <li>• Subject to government requirements, and sensitive to elections and political pressures</li> <li>• Further strengthens an ill-perceived top-down structure</li> </ul>
<b>Comptoir</b>	<ul style="list-style-type: none"> <li>• Local capacity building of the legitimate supply chain can have a positive impact the sector at large</li> </ul>	<ul style="list-style-type: none"> <li>• Time: 1-3 months to identify, vet, and reach agreement with comptoir, 3–6 months to bring in line with requirements</li> <li>• Expensive due to 1–2% taken</li> <li>• Other activities may be of concern from a due diligence perspective</li> </ul>

**Prefinance and Inventory Finance:** To initiate the pilot effort at Matete, CBRMT must be able to finance the production of at least .5 Kilos (17.63 ounces), the minimum amount for gold required for a reasonable export to an international refiner. Financing for the test export must cover support to miners (*pre-finance*) and the purchase of gold (*inventory finance*).

- **Pre-finance:** Artisanal gold production in the DRC is almost universally pre-financed. This pre-financing is typically in reference to the labor used in mining, where a third-party advances money to a pit chief to cover some or all of the costs of production. The pit chief uses this money to pay miners under his supervision in food, cash, equipment usage, or medical coverage while they mine for gold that will later be sold. As part of the initial survey to register ASM miners, CBRMT should conduct the same survey to identify pre-financers as well as the average size of their loans.

The CBRMT approach to oversight of the pre-financing of labor needs to be carefully understood and carried out with USAID support. The most viable option at this time is utilize the pre-existing structure of pre-finance from local third parties (*comptoir, négociant*, or local stakeholders) to provide pre-finance funding to COMICA miners directly in an improved manner. These parties should be properly vetted and meet all KYC background checks. Pre-financers represent a diverse group of people. For some, this is a livelihood complementing activity, and this should be integrated in the new production model where possible. USAID and the private sector have not shown interest, at this time, in providing CBRMT with funding for pre-finance activities.

- **Inventory finance:** There must be enough working capital in the supply chain to cover the total value of the gold for an initial export. CBRMT has two basic options for inventory finance.

- *Option 1:* Use existing contract funds for the gold pilot project activity financing needs, as this is a critical element of any gold pilot project. This option requires USAID support and approval; however, CBRMT could manage the cash flow to support this activity from a dedicated pilot project bank account in a careful and diligent manner, and work to ensure that all money is re-circulated to last for the remainder of the pilot project.
- *Option 2:* Find an LBMA Good Delivery Refinery in order to obtain the previously committed inventory financing from the downstream. Downstream partners are open to providing inventory financing should we be able to find an LBMA refiner willing to accept ASM gold from the pilot. CBRMT is actively and aggressively pursuing this option.

**MoUs:** CBRMT will sign at least three MoUs for implementation of the pilot project:

1. **Banro’s Namoya Mining Company:** This MoU describes the resources and responsibilities that both CBRMT and Namoya Mining Company will bring to the pilot project. This will include support for purchasing equipment, logistics, and geological activities. At the time this plan was being finalized, the MoU had been finalized, and CBRMT was waiting for Banro to sign.
2. **CEEC:** This MoU describes ITOA and CBRMT responsibilities for implementation of the traceability system, including the roles for training and financial support. This MoU needs to be reviewed by the National Ministry of Mines. At the time of this report’s submission, the MoU had been finalized, and CBRMT was waiting for CEEC to sign.
3. **COMICA:** This MoU describes COMICA’s responsibilities, including agreement to participate in trainings and to develop a mission and vision statement for the equitable operation of the cooperative. At the time of this plan’s writing, the MoU had been drafted and CBRMT was coordinating with COMICA to have it signed as soon as CBRMT field staff were deployed to Matete.

In addition to these MoUs, it may be necessary to develop clear agreements with the local technical services regarding their roles and responsibilities on the pilot project.

**Capacity Development and Training Approach:** The CBRMT approach to training and capacity building will focus heavily on cooperative members, provincial staff from the *Division des Mines*, CEEC, and SAESSCAM and local civil society. As part of CBRMT’s Capacity Building component, the program is producing 15 separate day-long training modules. These modules will build the capacity of the COMICA cooperatives’ leadership and members in five functional areas: (1) organizational structure; (2) administration and governance (including decision-making and benefit-sharing); (3) financial management; (4) legal rights and responsibilities; and (5) labor rights and environmental health and safety. CBRMT Capacity Building Manager Jennifer Graham will oversee the design of all training modules. We expect that a minimum of 50 people from COMICA will be trained. The trainings will be led by the CBRMT Field Training Coordinator, the Matete Pilot Project Manager, and the Matete Financial Manager. The Eastern Congo Coordinator will provide oversight and additional technical support as necessary. The training modules are presented in Table 2.7.

**TABLE 2.7: CBRMT TRAINING MODULES**

Module	Target Audience	Illustrative Training Description
Administration & Governance (COMPLETED)	Cooperatives	Reflection on principles and goals of cooperative businesses; development of a cooperative mission statement; introduction to transparency and decision-making; information sharing and participatory decision-making; identification of key organizational structures to ensure equitable representation, participation, and decision-making; how to concretely

Module	Target Audience	Illustrative Training Description
		improve participatory decision-making; drafting of meeting agendas and minutes; design of appropriate communication strategies for increased transparency
Financial Planning and Budgeting	Cooperatives	Introduction to financial planning, bookkeeping, and accounting principles; introduction to preparing budgets and monitoring expenditures
Traceability Systems	Cooperatives, civil society, <i>Division des Mines</i> , SAESSCAM, Mine Police	Skill-building with traceability equipment and tools (scanners, tags, logbooks, etc.); awareness-raising and introduction to key features of the ITOA system <i>Conducted in coordination with ITOA staff.</i>
Introduction to Due Diligence	Cooperatives, civil society, SEASSCAM, <i>Division des Mines</i>	Principles of due diligence, why it is important and identifying each actor's role; ensuring that members of the cooperative, civil society, and local government bodies are sensitized and knowledgeable on the OECD DDG, ICGLR RCM Certification, and the DRC Mining Code and relevant DRC legislation; ensure that civil society is aware of roles and responsibilities on local oversight committees ( <i>comites de suivi</i> )
Environment	Cooperatives	Mercury reduction training; education campaigns about the health hazards of mercury; training on damage to biological and ecological functions from ASM.
Health, Safety, and Security	Cooperatives	Health and safety training, and training related to structural integrity of ASM gold mining activities (including open pit and tunneling); clarification of DRC rules and regulations regarding safety at artisanal mine sites, with emphasis on gender; identification, mitigation, and monitoring of security incidents and hazardous conditions; practical methods for reducing identified risks
Clarification of Rights and Conflict Resolution	Cooperatives, civil society, <i>Comités Provinciaux de Suivi (CPS)</i> , <i>Division des Mines</i> , Mine Police	Participatory workshop to discuss conflicting claims between statutory and customary authorities to land and sub-surface rights; training and technical assistance on how to resolve such conflicts
Technical Training	Cooperatives, SAESSCAM	Exploration training, including reserve analysis or deposit geology, and/or exploitation training, including value-added processes, mechanization of equipment (based on technical equipment provided), and building capacity to implement effective processing facilities with improved technology

**Equipment and Incentive Approach:** As gold is currently selling in Matete for close to the world market price, we must use equipment to incentivize actors to participate in our project. CBRMT has assessed current mining equipment techniques being used at Matete, and has concluded there are options for technology interventions that can improve production, encourage participation, and reduce environmental degradation. However, equipment interventions must be site specific, and options need to be available for both alluvial and hard rock. Equipment can also be used as “choke-points” for the implementation of traceability systems, as bagging can occur after this initial gold concentration. While CBRMT funds are limited, we believe this is a necessary endeavor to the success of the pilot project. CBRMT is actively working with a mining expert in Kindu for the roll-out of equipment, and we have

gathered input and suggestions on our approach from industry thought leaders. The equipment list that follows has been developed as a response to environmental and mining technology assessments conducted on site. Equipment has been selected to respond to local needs, improve environmental practices, reduce mercury pollution, and improve overall production.

- **Screen/Classifiers:** Sorting material into similar size particle helps recovery rates. CBRMT should buy screens for use at the PDV to ensure right sized material enter the mechanized sluice and crusher, and materials are sorted into right sized concentration channels.
- **Sluices:** Sluices should be efficiently and strategically placed at Matete and the Matete PDV, as a method for initial concentration. We envision the purchase of two to three mechanized sluices and a set (5–7) of non-mechanized sluices with carpet liner technology. Two mechanized sluices will be placed at Lubundozi: one near the top pond and one at the bottom near alluvial pits surrounding the stream bed. Mechanized sluices should improve yields more than 50 percent. Non-mechanized carpeted sluices with carpets are low cost and should improve yields by at least 25 percent. All sluices need access to water, and mechanized sluices will need a power source in the form of a gas engine or 12-volt electric pumps.
- **Crusher:** To liberate gold from larger sized gravel and hard rock (a necessary step prior to concentration) CBRMT should procure a crusher to install at the PDV. Rock should be milled to a power with grains smaller than 0.5mm (0.02 inches) in order to liberate the most gold.<sup>3</sup> An industrial engine must be acquired to use the crusher.
- **Pulley System:** At Lubundozi, the miners would dramatically benefit from the introduction of a simple pulley system to transport ore. The mining sites are on top of a mountain, and transporting to the stages of initial concentration is arduous and backbreaking. By installing a simple pulley system, the labor involved to move materials could be reduced dramatically.
- **Shaker Table or Vortex Concentration:** Final concentration equipment should be installed at the PDV. A shaker table such as the RP-4 gravity shaker concentrating table would be ideal; however, the water and electricity needs may make this impractical for the PDV. Another option is a vortex, which is cheaper than a Shaker Table and does not require power. Vortex concentrators use a rotating flow of water to separate lighter materials from a concentrate.
- **Magnets:** After final concentration at the PDV, the concentrate should be dried. After drying, a magnet should be used to separate magnetic material from non-magnetic material (including gold). After magnets are used, the remaining gold concentrate can be weighted and purchased. During the test export, the purity of this final concentrate should be tested so that the purchase price can be calculated.
- **Scales:** CBRMT will need to acquire scales for use at the mine site and at the PDV. Scales should be placed at concentration locations, as well as the PDV.
- **Safe:** CBRMT has made a request to the International Organization for Migration (IOM) that, as part of their planned upgrades to the PDVs they install a safe for the pilot project. If the IOM does not purchase the safe as planned, CBRMT will need to procure this safe for the PDV.

CBRMT envisages access and use of the equipment as a service to be provided by the cooperative to the different mining teams, with oversight from CBRMT. Control and management over equipment should be a partnership between CBRMT, the cooperative, and SAESSCAM. CBRMT will initially drive the

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<sup>3</sup> K. Telmer and D. Stapper. Reducing Mercury Use in Artisanal and Small-scale Gold Mining. (UNEP, 2012).

decision of the fee structure. Clear roles should be given by CBRMT during the introduction of the equipment with regular audit and monitoring visits. The equipment can be given to the mining cooperative, or another local stakeholder, at the end of the project through the approval of the Disposition Plan by USAID and a title transfer document.

## **NECESSARY FACILITATING CONDITIONS**

In light of the considerable constraints that exist for the CBRMT pilot projects, a number of facilitating conditions need to be met in order to achieve program success. We highlight four critical and necessary facilitating conditions below:

1. Formal support from provincial and national government bodies before the launch of any pilot projects. Matete does have support from these bodies; however, continual progress and status updates must occur.
2. Participation and assurance and/or written agreement from a buyer/exporter and refiner to purchase ASM gold from pilot sites. CBRMT is working to establish these relationships at Matete, and PAC is working to establish these agreements for Some.
3. A ZEA for pilot sites must be established prior to export of gold, with support from USAID, national government authorities, and other key actors as needed. The ZEAs at Matete must both be recognized at the national level and validated, which may require support from stakeholders such as USAID and IOM.
4. A stable and secure environment in which to implement pilots, particularly with elections approaching.

# APPENDIX A: IMPLEMENTATION SCHEDULE

Activity	Months																Responsible Party
	Pilot Implementation Period																
	March 2016 – June 2017																
	Mar 16	Apr 16	May 16	June 16	July 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	
<b>Pilot Model One – Matete, Maniema</b>																	
Baseline Assessment completion	■																CBRMT
Traceability and Due Diligence Plan	■	■	■														CBRMT
Staff recruitment and deployment		■	■	■													CBRMT
Deploy training modules		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	CBRMT
Finalize exporter partnerships			■	■													CBRMT
Matete Pilot kick-off workshop			■	■													CBRMT
<i>Comites Locaux de Suivi</i> launch				■													CBRMT
Ongoing implementation				■	■	■	■	■	■	■	■	■	■	■	■	■	CBRMT
Initiate conflict-free exports of gold					■	■	■	■	■	■	■	■	■	■	■	■	CBRMT
Cooperative Business Plan							■										CBRMT
Third-party audit once operational							■										CBRMT