



Responsible gold also means supporting livelihoods of artisanal miners

24 MARCH 2015

by Guest author



Mukungwe mine. Photo courtesy of Gregory Mthembu-Salter

Today's post is by Tyler Gillard, who leads the OECD's work on [responsible mineral supply chains](#) (@tylergillard) and Roel Nieuwenkamp, Chair of the OECD Working Party on Responsible Business Conduct (@nieuwenkamp_csr)

Last year, a blind Congolese civil society leader named Eric Kajemba helped broker a deal between the Congolese army, local authorities, three powerful Congolese families and a Canadian mining company to de-militarise a lucrative gold mine in South Kivu province of the Democratic Republic of the Congo (DRC).

The mine, called Mukungwe, supports an estimated 5,000 thousand so-called “artisanal” gold miners, who work in harsh conditions and have for years lived under constant threat of extortion and violence by armed groups, the military and criminal gangs that operated in the area.

Kajemba's efforts, and the support given by both the mining company and the Congolese government, were made in part because of growing international pressure on companies and governments to ensure that minerals used in everyday products don't finance or fuel violent conflict or human rights abuses when mined in conflict zones.

Yet this same push for “conflict-free” minerals has also created new challenges for mines in eastern Congo, like Mukungwe, to access formal gold markets, mainly because of unreasonably high – and frankly counter-productive – compliance expectations.

To a certain extent this is normal. Formalising a previously informal economy will always create new compliance hurdles. At least this is an improvement over the challenges the miners had previously faced, namely escaping violence, extortion and forced labour at the end of a gun. Still there is a need for greater awareness among consumers and the gold industry that responsible gold also means sourcing responsibly from conflict areas and supporting artisanal miners in their efforts to meet the new demands of the market.

In 2010, US Congress spurred major action when it adopted section 1502 of the Dodd-Frank Act, obliging public companies to report on products containing certain minerals that may be benefiting armed groups in the Democratic Republic of the Congo (DRC). The European Union also proposed a draft regulation in March 2014 on responsible supply chains of minerals from any conflict area worldwide. [OECD Due Diligence Guidance](#) was singled out in both cases as the key standard for companies to maintain responsible mineral supply chains.

Gold is one of the minerals targeted by these efforts – and the big players in the gold industry have taken note. The [London Bullion Market Association](#) (LBMA), an industry body that maintains standards for the London gold market, made it mandatory for its gold refiners to undergo [annual](#)

audits that would demonstrate they sourced gold responsibly and in line with the international standards set by the OECD. The **World Gold Council** and the **Responsible Jewellery Council** adopted voluntary certification schemes to implement the OECD's due diligence guidance. Notably, the **Dubai Multi-Commodities Centre** also adopted audits requirements for its refiners in 2012.

Despite some challenges in rolling out these schemes, this is still a serious achievement. The audited LBMA refiners alone cover 85-90% of gold produced annually. It may even be tempting to say "mission accomplished", since the gold market is basically conflict-free. However we cannot: there's still a lot more to do.

Shrinking the last 10% of the informal gold market will be a challenge. And more should be done to strengthen some of the existing audit schemes too. But it's necessary, and worth the effort. In 2013, more than \$115 billion worth of gold was produced. Even if only 5% of that production benefited armed groups or criminal organisations worldwide, that's still almost \$6 billion that's ended up in the wrong hands.

In contrast to the significant progress made in the formal gold industry, there has been little progress towards creating responsible supply chains of artisanal gold.

Artisanal gold mining generally means informal mining done with rudimentary tools, with little or no attention to health and safety, often rife with child labour and in areas of high-risk or conflict. Governments around the world often ignore the untapped potential of artisanal mining – which accounts for a whopping 90% of the global gold mining workforce – preferring instead to focus their efforts on attracting large-scale mining investments that bring far greater revenues to state coffers.

Given the informal and often illegal nature of the activity, artisanal gold mining continues to be one of the easiest ways for armed groups and criminals across the globe to earn sizable revenues through mafia-style extortion tactics used on the miners and their gold traders. A UN expert group reported in January that artisanal gold is still a major source of financing for armed groups in the DRC, which has seen one of the worst conflicts in recent history, claiming an **estimated** (pdf) 5.4 million lives since 1996.

As the Mukungwe mine shows, not all of the artisanal gold produced in the Congo supports conflict. But almost all of it is mined informally and smuggled out of the country, making it difficult for international buyers to establish traceability. As a result, markets take a very risk-averse attitude towards artisanal gold worldwide. Refiners and traders are often expected to provide a sort of "100% conflict-free" guarantee to their financier banks and customers before buying artisanally-mined gold.

If European supermarkets can't guarantee that the beef they're selling isn't horsemeat, how could the banks and other buyers expect refiners to provide guarantees on artisanal gold, which almost by definition is produced informally, without infrastructure, licensing, or really any type of government support and oversight that could help give such assurances?

Banks, buyers and even consumers today need a reminder of what is helpful, and actually expected. These types of "100% conflict-free" expectations are counterproductive, and based on a misperception of international standards.

Standards like the OECD **Due Diligence Guidance** actually encourage companies to work with artisanal miners, without demanding perfection. Responsible sourcing of minerals is about good faith efforts to work and improve conditions in the supply chain. Unless a buyer finds evidence of armed group involvement or serious human rights abuses in the mine or trader, on-going engagement with artisanal miners is the recommended course of action. Otherwise, there's a risk that the trade will become even more hidden, leaving the miners in a worse-off position.

Today the discourse within the international community on "conflict minerals" has changed. It's not just about conflict-free. What's important is promoting responsible sourcing of minerals *from* conflict

areas, despite the challenges. Whole-scale disengagement with artisanal miners almost always has harsh consequences for miners' livelihoods.

What can help solve this catch 22? Consumer demand, for starters – at least until local governments take on their responsibilities to help artisanal miners. Jewellers should tap into this demand and begin sourcing – and marketing – responsible artisanal gold from conflict areas (see the *Enough Project* below). Which consumer wouldn't appreciate knowing their wedding ring helped support peace and development for some of the world's worst-off miners living in a conflict zone?

An OECD report on the **Mukungwe** gold mine in the DRC is one of a series in the pipeline that show how buyers can get directly involved in gold supply chains from areas of conflict. These reports examine the risks associated with specific gold mines and trading routes, and provide concrete recommendations for buyers and governments to help them build responsible sourcing and engagement practices that help artisanal miners. Today, however, the Mukungwe mine still has no legal route to export gold, and no buyer that's willing to help improve the miners' conditions, maximise their gold yields, get their documentation in order to export securely, and guard against interference from armed groups.

How long will these miners wait for buyers before they themselves turn to criminal behaviour, for lack of other opportunities? How long before the armed groups decide to come back to the mine and re-establish their grip on the lucrative business? Apparently not very long. On 21 December, armed men stormed Mukungwe and killed at least 10 people, including a 15-year old boy. Although the attackers quickly vacated the mine soon after the attack, the need for responsible engagement could not be more urgent.

Useful links

[OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#)

Conflict minerals: demonise the criminals, not the miners by **Chuck Blakeman**, founder of the Crankset Group, on the *Insights* blog

A recent campaign from the **Enough Project** noted Signet and Tiffany as industry leaders in responsible gold sourcing, followed by JC Penney, Cartier and Target. The **Responsible Jewellery Council** has also helped drive responsible practices in the gold sector. Some consumer-labelling schemes for jewellery have also emerged, such as **Fairmined** or **Fairtrade** Gold, which could help consumers looking to source gold responsibly.