POLICY GUIDANCE

GLOBAL INITIATIVE
AGAINST TRANSNATIONAL ORGANIZED CRIME

COMBATING ILLICIT GOLD MARKETS IN EASTERN AND SOUTHERN AFRICA

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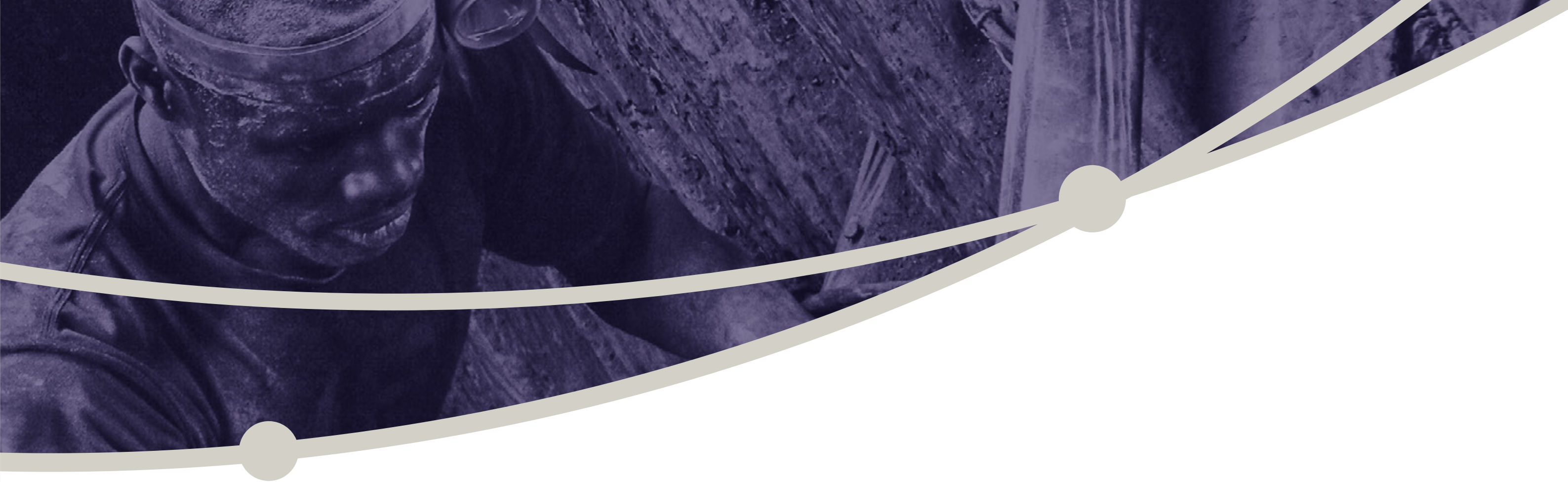
ACRONYMS AND ABBREVIATIONS

AML	Anti-money laundering
AMV	Africa Mining Vision
ASGM	Artisanal and small-scale gold mining
ASM	Artisanal and small-scale mining
DDR	Disarmament, demobilization and reintegration
DFI	Development finance institution
DRC	Democratic Republic of Congo
EAC	East African Community
EIA	Environmental impact assessment
ESG	Environmental, social and governance
FATF	Financial Action Task Force
FIU	Financial intelligence unit
IFC	International Finance Corporation
LBMA	London Bullion Market Association
LSM	Large-scale mining
OECD	Organisation for Economic Co-operation and Development
REC	Regional economic community
SADC	South African Development Community
TFTA	Tripart Free Trade Area
VAT	Value-added tax
WCO	World Customs Organization



INTRODUCTION

Artisanal and small-scale gold mining (ASGM) in eastern and southern Africa provides economic opportunities to a wide range of actors that cuts across the formal, informal and illicit spheres. ASGM can involve everything from highly vulnerable individuals panning for gold on a subsistence basis to small-scale, semi-industrial operations illegally generating millions of dollars' worth of gold. Regardless of the form, the vast majority of ASGM is linked to illicit gold markets exploited by criminal actors. The result is 'a tightly interwoven web of livelihoods, social networks and competition for power and wealth'.[1]

The ASGM sector has significant development potential, but the vested interests of criminal actors, including corrupt political actors, pose a significant barrier to successfully implementing policy and programmatic interventions. Gold mining and trade are highly attractive to criminal actors for a variety of reasons. Illicit financial flows and criminal networks play an instrumental role in shaping ASGM activity and flows, although the scale and frequency of transactions, the depravity of actors, and the subsequent impacts vary greatly geographically and according to the actors. More recently, it has been highlighted how foreign actors may also engage in illicit gold mining and trade to evade sanctions.[2] Due to the cyclical nature of ASGM financial flows, profits from illicit activity may be reinvested into gold mining and buying operations, further perpetuating illicit financial flows and obscuring their pathways. Illicit gold markets are also intertwined with politics in many localities, further challenging intervention efforts.

As such, multifaceted, innovative and dynamic responses are needed to curb criminality and to realize the development potential of the sector. Yet, policy recommendations often offer only high-level guidance, and lack detailed direction for how to achieve goals. This presents challenges for practitioners when they attempt to implement recommendations, especially when they are not immersed in the ASGM literature or policy discussions. This policy guidance aims to fill this gap by providing more detailed technical guidance on a wide-ranging set of recommendations, as well as additional resources for practitioners.

This policy guidance, a follow-on from the 2021 report 'Illicit gold markets in East and southern Africa',[3] is intended to be a tool for those who wish to intervene or engage with the ASGM sector and illicit gold markets, including policymakers, government agents, development interventions, civil society and businesses. Although this policy guidance is designed for eastern and southern Africa, it can be adapted for other regions.

Reading and implementing the recommendations

This policy guidance makes 37 recommendations across four key areas of ASGM: legislative and regulatory frameworks, knowledge gathering, gold mining and gold supply chains. These recommendations reflect the need for multifaceted and comprehensive responses, offering a combination of immediate actions that can be taken, medium-term and ongoing recommendations, and long-term transformational objectives. Transformational recommendations for each aspect of ASGM are highlighted at the top of each recommendation group (Figure 1). Although these may be considered aspirational, as they often respond to significant challenges, concrete steps can be taken towards achieving them. Many of these recommendations are not new and have been recommended by African bodies themselves in the past.[4] Thus, in addition to new approaches, this guidance also presents direction for implementing past recommendations in current contexts.

There is no single 'right' response to combating illicit gold markets and supporting the development of a responsible, sustainable ASGM sector. Stakeholders must therefore assess the unique situation they face in their region, nation or community to determine which objectives are most relevant, feasible and impactful. Different stakeholders will require different responses, which will also vary by their unique set of circumstances, challenges and capacity levels. Thus, this policy guidance has ensured that recommendations are multi-dimensional and layered, allowing stakeholders to tailor the guidelines to their context to achieve short-, medium- and long-term policy objectives. It is also important to recognize that because stakeholder priorities will likely diverge, short- and medium-term actions may have disparate impacts on some goals while furthering others.

Supply chain disruptions can have harmful impacts on vulnerable groups, namely informal ASGM miners and mining communities, when they are not accompanied by appropriate development support. This was highlighted when the COVID-19 pandemic and border closures disrupted regional and global gold supply chains.[5] Therefore, efforts to bring a complete halt to intra-regional illicit supply chains are not only unrealistic in the short term, but can also be counterproductive, undermining government legitimacy and empowering criminal and non-state armed groups. Thus, innovative responses at the regional and transnational level are needed.

Weighting recommendations: Implications for policy

There is no 'right' way to combat criminal networks in the gold sector or to support the development of a responsible and sustainable ASGM sector. The wide range of recommendations presented here make this clear. Thus, governments and other stakeholders will need to identify their policy priorities and adopt the most appropriate actions to achieve their goals. Determining policy priorities is a challenging task given the sheer number of objectives, which do not necessarily align. The policy landscape for governments is further complicated by inefficiencies that may come during implementation, such as corruption. However, by understanding which interventions may have the greatest impact, policymakers and other stakeholders will be better positioned to prioritize responses and interdependencies between policy issues and recommendations.[6]

Factors that should be considered as part of this policy prioritization exercise include the following:

Informal miners dig for gold in Johannesburg, South Africa, May 2022. *© Sharon Seretlo/ Gallo Images*

Knowledge and corruption have significant multiplier effects. Knowledge (recommendation 9) and corruption (recommendation 30) both have the potential to either amplify or spoil efforts to curb criminality and reach development goals. Policy and programmatic interventions must be well-informed by an understanding of the gold sector and continually monitored for changes in gold networks, which are dynamic and constantly evolving. For example, lack of knowledge of the local context or failing to account for corruption could lead to inefficient implementation and sub-par results. While corruption is not an easy issue to tackle, responses must account for corruption and place the appropriate safeguards in place to see widespread, long-term impacts.

***De jure* action has a low multiplier effect.** Having a foundation of legislative and regulatory frameworks that enable ASGM and the legal gold trade is essential before taking further action to curb criminality and corruption and reach development goals. However, beyond creating a friendly legal environment for ASGM and formal trade, *de jure* interventions have a low multiplier effect and, in isolation, are insufficient to effect change in the sector. For legislations and regulatory frameworks to have an impact, actions by the state and other relevant actors to enforce regulations and support ASGM stakeholders to engage in the formal sector are critical.

Inclusive, development-focused policy is impactful. Recommendations that call for an inclusive development approach to policy have strong multiplier effects (recommendations 1, 3, 4 and 13). These interventions actively seek to engage with and secure buy-in from ASGM stakeholders. Not only is an inclusive strategy more likely to be effective in developing a sustainable formal gold sector, it is also more effective in reducing criminality and corruption in the sector.

Cross-cutting responses are needed. The ASGM sector and illicit gold markets present complex, dynamic challenges that require multifaceted, cross-cutting responses from a variety of stakeholders. Many of the recommendations are interdependent and complement one another, and should therefore be adopted in parallel. However, many policy goals bring about trade-offs in short- and medium-term outcomes or resource allocation. Stakeholders must therefore seek to maximize complimentary actions while negotiating trade-offs created by competing short-term priorities to achieve long-term desired outcomes.

Formalizing the ASGM sector and establishing responsible gold supply chains will require action on multiple fronts. Recommendations for supporting ASGM and combatting criminality often include formalizing the ASGM sector and establishing responsible, traceable gold supply chains. However, to achieve these goals, a series of smaller actions, many of which are included as recommendations in this policy guidance, must be taken. For policy guidance to be truly effective for sector formalization, recommendations need to be detailed and include considerations for policy prioritization.

FIGURE 1 Overview of recommendations.

NOTE: Transformational recommendations for each aspect of ASGM are highlighted.

STRONG FOUNDATIONS: LEGISLATIVE AND REGULATORY FRAMEWORKS AND POLICY	
Adopt inclusive policy development processes and policies	1. **Adopt a development-focused approach to guide ASGM policy**
	2. **Increase inter-agency coordination**
	3. Include ASGM stakeholders, including mining and gold trade representatives, in policy discussions
	4. Identify and address gender issues
	5. Include ASGM in security strategies and peace operations
Ensure legislative and regulatory frameworks enable ASGM	6. Reduce bureaucratic hurdles and streamline ASGM licensing procedures
	7. Fully adopt the Africa Mining Vision and East Africa Community Mining Bill
	8. Ensure national legislation recognizes and creates legal avenues for artisanal and small-scale mining (ASM)
KNOWLEDGE: MARKETS, POLITICAL ECONOMIES AND TECHNOLOGY	
Invest in knowledge building and application	9. **Support ongoing research (monitoring and analysis) of gold markets, including mining activity and political economies**
	10. Support research and development into new technology, and its introduction to mining communities
	11. Support uptake of electronic advancements (digitalization and electronic payment systems)
	12. Analyze and continue to monitor the impacts of collective bodies in the gold sector (i.e. associations, syndicates, etc.)
GOLD MINING	
Increase engagement with and support for ASGM stakeholders	13. **Provide support to ASGM stakeholders to enable and incentivize them to engage in the formal sector**
	14. Increase capacity and funding for government mining units, including the formation of ASM-specific units
	15. Identify and address human rights abuses

GOLD MINING	
Increase engagement with and support for ASGM stakeholders	16. Create opportunity for and support relations between ASGM and large-scale mining
	17. Invest in development projects in gold-producing areas
Address land rights issues	18. Establish and maintain electronic cadastres, and ensure they are accessible to ASGM stakeholders
	19. Assess options for geological mapping to benefit ASGM
	20. Assess the potential for artisanal mining zones
Improve access to finance and financial inclusion	21. Support the development and accessibility of financial products for ASGM miners and small-scale gold traders
	22. Make development funding and financial tools available to the ASGM sector
	23. Leverage responsible investment to encourage increased private sector engagement with the ASGM sector

GOLD SUPPLY CHAINS	
Increase regional competitiveness	**24. Develop and implement strategies to increase regional competitiveness in the gold sector**
	25. Streamline and minimize fiscal regimes (fees and taxes) for ASGM miners and gold traders
Support responsible gold trade	26. Design and implement gold buying structures and programmes based on context, capacity and policy objectives
	27. Actively engage with responsible supply chain codes and guidance
	28. Assess the role of African-based refineries in gold supply chains, and implement necessary oversight measures to achieve policy objectives
	29. Ensure that clear legislation on the trade and use of mercury and cyanide for gold processing is in place and enforced
Target criminality and corruption in the gold sector	**30. Strengthen anti-corruption and accountability mechanisms in the gold sector**
	31. Target enforcement at key transit points
	32. Target key actors in illicit gold markets and supply chains
	33. Mainstream gold supply chain training for law enforcement and customs units, in parallel with strengthening oversight mechanisms
	34. Strengthen efficacy of financial sector regulation, including increased support for financial intelligence units and assessment of anti-money laundering regimes
	35. Increase information sharing between governments
	36. Improve coordination with private sector actors
	37. Adopt more stringent due diligence practices for recycled gold

RECOMMENDATIONS

Strong foundations: Legislative and regulatory frameworks and policy

To develop effective responses to illicit gold markets, it is crucial to adopt a development lens, which ensures that responses are informed by the perspectives of actors in the sector and that there is buy-in from all parties. This will require building strong relationships with ASGM stakeholders, including women. In seeking to increase inclusiveness, governments, multilateral institutions, non-governmental organizations (NGOs) and private sector actors need to be sensitive to complex organizational structures and power dynamics. Where relevant, ASGM should also be included in security strategies and peace operations.

Inclusive policy and programme responses also require greater inter-agency coordination, both horizontally across different government agencies, and vertically at different levels of government. A third element of diagonal coordination can be applied to seek to better engage with non-government stakeholders, the private sector, civil society and the media (Figure 2).

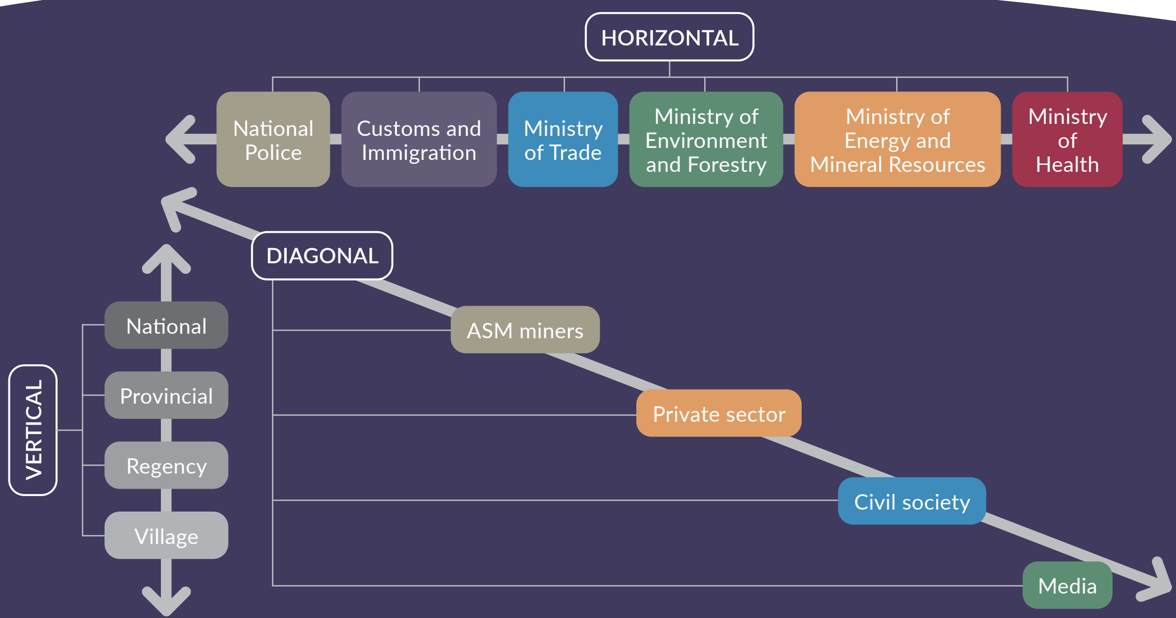


FIGURE 2 Dimensions of coordination and accountability.

1. ADOPT A DEVELOPMENT-FOCUSED APPROACH TO GUIDE ASGM POLICY

Relevant stakeholders: Governments, regional economic communities (RECs), multilateral institutions, NGOs

ASGM must be treated as a development challenge, accompanied by targeted responses used to combat criminality in illicit gold markets. Prohibition and criminalization have proven to be ineffective in reducing criminality in the ASM sector, and to have adverse impacts on development in vulnerable source communities for several reasons.[7] Purely security-based efforts are costly and may lead to human rights violations and deterioration in community relationships. ASGM is also the preferred livelihood of millions of people who have limited alternatives for earning an income, a trend projected to continue due to the adverse impact of climate change on the agricultural sector. Furthermore, political and economic elites with vested interests in the gold sector may block or undermine attempts to curb production or illicit flows.[8] In turn, efforts to eliminate ASGM are far more likely to negatively impact marginalized populations than disempower criminal actors.

Development approaches will require realistic expectations around revenue generation. While the ASGM sector has the potential to generate significant revenues for host states, this first requires increasing the participation of both ASGM miners and gold traders in the formal sector. Thus, short-term fiscal policies should incentivize ASGM miners and traders to enter and engage with the formal sector, rather than maximize profits.

Additional resources

- *Mosi-oa-Tunya Declaration on Artisanal and Small-scale Mining, Quarrying and Development*[9]

2. INCREASE INTER-AGENCY COORDINATION

Relevant stakeholders: Governments, multilateral institutions, RECs

Due to the multifaceted nature of ASGM and illicit gold markets, a wide range of actors – including mining, environmental, trade, financial, development, law enforcement, and health stakeholders – are engaged in the issue. The various focuses, responsibilities and jurisdictions of these actors highlight the need to involve a diverse range of government agencies in designing and implementing responses. The most effective responses have been achieved when multiple government agencies engage in information sharing and coordinated action.

It is also important to recognize that the priorities of various stakeholders will not be perfectly aligned. For example, customs and trade officials may prioritize securing supply chains; environmental officials may prioritize curbing mercury use and pollution; and financial and central banking institutions may prioritize maximizing inclusive economic gains. These policy objectives are mutually reinforcing in the long term, but short- and medium-term policies and programme interventions are likely to result in trade-offs: progress in some areas, setbacks in others. As such, policymakers need to be clear about their goals and priorities, and coordination will require these groups to overcome any conflicting priorities or performance indicators.

To facilitate inter-agency cooperation, specialized task forces or platforms could be established. Such a platform should include representatives from all relevant agencies, including mining, environment, law enforcement, customs, finance (central banks), tax and trade, health and development.

2. INCREASE INTER-AGENCY COORDINATION

Relevant stakeholders: Governments, multilateral institutions, RECs

Level	Description
Level 1: Ministries take independent decisions	Each minister remains autonomous in their public policy domain and acts independently.
Level 2: Communication with other ministries (information exchange)	Ministries inform each other about the problems that arise and how they intend to act within their domain.
Level 3: Consultation with other ministries	In the process of policy formulation, the ministries consult with each other and provide feedback.
Level 4: Avoid differences between ministries	A balanced perspective is maintained between different actors. Players do not take divergent positions and government acts with one voice.
Level 5: Finding inter-ministerial agreement	The inter-dependence between ministers and their mutual interests is recognized to reach a consensus on complementary policies and the achievement of common goals.
Level 6: Judging the divergences between actors	Actions are coordinated by a third actor (such as a central agency) when various ministerial actors are unable to come to an agreement.
Level 7: Setting the parameters for organizations	A central actor in the decision-making process has a more active role, setting parameters on the discretional powers of other actors.
Level 8: Governmental prioritization	Clear government priorities are determined after collaboration, along with a defined path and direction to be followed by the line ministries.
Level 9: Overall government strategy	A comprehensive government strategy is adopted, with clearly defined roles and responsibilities for individual ministries and line departments.

FIGURE 3 Modified Metcalfe scale.

SOURCE: World Bank Group, Improving public sector performance through innovation and inter-agency coordination, October 2018, https://documents1.worldbank.org/curated/en/833041539871513644/pdf/131020-WP-P163620-WorldBankGlobalReport-PUBLIC.pdf.

2. INCREASE INTER-AGENCY COORDINATION

Relevant stakeholders: Governments, multilateral institutions, RECs

Efforts are also needed to improve vertical coordination between authorities at the local, provincial (or its equivalent), national and regional levels. This will ensure the flow of bottom-up information and input into policy processes, which is valuable to understanding the dynamics in gold-producing areas and pursuing a development-oriented agenda. It will also aid in ensuring national policies are understood and implemented locally. These same principles can also be applied at the regional level, for example by RECs, and at the international level by partner governments and multilateral institutions.

Additional resources

- ***Improving public sector performance through innovation and inter-agency coordination*, The World Bank** [10]

Type of approach	Tools and techniques
Communication and decision-making	■ Inter-agency task forces ■ Cabinet councils ■ Inter-ministerial liaisons ■ Use common geographical boundaries
Planning	■ Plan review ■ Joint planning ■ Uniform planning periods ■ Common definitions and quantifiable outcomes
Operational coordination	■ Joint funding of programmes ■ Joint administration of programmes ■ Joint purchase of services ■ Cooperative (non financial) agreements – e.g., division of labour
Service delivery	■ One-stop shopping/collocation ■ Case management ■ Using clients as purchasing agents ■ Shared information services ■ Universal eligibility and referral mechanisms ■ Shared credit mechanisms ■ Shared staff

FIGURE 4 Coordination approaches and tools.

SOURCE: Rodrigo Serrano, What makes inter-agency coordination work: Insights from the literature and two case studies, Inter-American Development Bank, August 2003, https://publications.iadb.org/publications/english/document/What-Makes-Inter-Agency-Coordination-Work-Insights-from-the-Literature-and-Two-Case-Studies.pdf.

3. INCLUDE ASGM STAKEHOLDERS, INCLUDING MINING AND GOLD TRADE REPRESENTATIVES, IN POLICY DISCUSSIONS

Relevant stakeholders: Governments, RECs, multilateral institutions, NGOs, private sector

Often policy development in eastern and southern Africa, as well as globally, is top-down and does not include opportunity for a healthy dialogue with ASGM stakeholders. The result is a lack of consensus building, trust and confidence and, in turn, low compliance. Concerted effort is needed to identify and engage with ASGM stakeholders, potentially provide financial or organizational support, and ensure a platform is available for them to take part in policy development and decision-making processes. To facilitate engagement, miners' associations and lobby groups could be formed and given support. When forming and working with these groups, it is necessary to consider the composition and power dynamics of groups, and to ensure women have a voice.

Engagement must also consider the interests of gold traders. To date, gold traders have largely been seen as a menace to responsible sourcing efforts, obstructing interventions that, in their view, do not serve their interests. Yet, the influential role of intermediary buyers and their relationships with mining communities have the potential to either enable or thwart policy and programmatic interventions. Thus, strategic engagement with established gold traders and networks is needed. Although this may require working with less-than-ideal partners at times, efforts should be made to include their perspectives in policy development and to find common ground.

4. IDENTIFY AND ADDRESS GENDER ISSUES

Relevant stakeholders: Governments, RECs, partner governments, multilateral institutions, NGOs, private sector

Several recommendations link back to the need for gender-sensitive responses. This requires not only assessing current contexts for women, but also continual monitoring and analysis to identify and rectify any negative fallout from policy and programme interventions for women. This approach aligns with broader regional economic objectives, which aim to mainstream women (and other actors who have historically been disadvantaged) into the formal economy.[11]

Additional resources

- ***Gender dimensions of artisanal and small-scale mining: A rapid assessment toolkit*, UNCTAD**[12]
- ***Toolkit: Gender impact assessments for projects and policies related to artisanal and small-scale mining*, Impact**

5. INCLUDE ASGM IN SECURITY STRATEGIES AND PEACE OPERATIONS

Relevant stakeholders: Multilateral institutions, governments, partner governments, RECs, NGOs

There are overlaps between the gold sector and conflict in parts of eastern and southern Africa. Thus, the gold sector ought to be considered when designing security strategies and conducting peace operations, including disarmament, demobilization and reintegration (DDR) processes. Including the gold sector in DDR processes can simultaneously address conflict drivers and the impacts of conflict on the gold sector, while supporting sustainable economic and social opportunities. By viewing gold not just as an income stream for conflict actors, but as a potential economic stimulant, states and international development organizations will be better positioned to promote social cohesion in marginalized communities.

Through enhanced cooperation, mapping and dialogue between relevant stakeholders, the linkages between DDR, conflict mediation and the gold sector can be addressed in a manner that supports recovery, peacebuilding and sustainable development.[13] This strategy aligns with adopting a development approach for addressing illicit gold markets. Importantly, efforts must include training and capacity support for local communities and ex-combatants. Also, mediation may be needed between various groups to determine access to ASGM rents. This requires strong situational awareness of networks, activities and power dynamics.

Additional resources

- ***Integrated Disarmament, Demobilization and Reintegration Standards*** **(module 6.40: DDR and organized crime), UNDDR**[14]

Ensure legislative and regulatory frameworks recognize and enable ASGM

Any effort to draw the ASGM sector into the formal sector and combat criminality will require legal and regulatory frameworks that enable and support responsible ASGM. Yet regulatory regimes frequently create unrealistic barriers for many ASGM miners to overcome. Licensing frameworks, which can be expensive and are valid for only a short period of time, and taxation regimes, which can be unclear and applied unsystematically, pose significant challenges to drawing ASGM into the formal sector. Without legal recognition or reasonable operational requirements, ASGM miners and gold traders will be pushed to engage in illicit markets and increase their reliance on criminal actors.

To this end, national frameworks, including tax schemes, must not only recognize ASGM as a legitimate economic activity, but must also provide the legal and regulatory space for it to successfully take place. Specifically, ASGM must be defined with legislation tailored to the realities of the sector, rather than being held to the same standards as large-scale mining (LSM). Reducing barriers to entry into the formal sector will not automatically result in greater regulatory compliance among ASGM operators and traders.[15] Yet, reducing bureaucratic hurdles is necessary as a first step to creating the enabling conditions for individuals to take part in the formal gold mining and trade sector.

6. REDUCE BUREAUCRATIC HURDLES AND STREAMLINE ASGM LICENSING PROCEDURES

Relevant stakeholders: Governments, RECs

In the current context, greater engagement with ASGM stakeholders must be prioritized to build a foundation for improving practices and reducing the negative impacts of illicit gold markets. To enable and encourage stakeholders in the ASGM sector to engage with the formal economy, bureaucratic hurdles must be reduced to the greatest extent possible. Low licensing rates among ASGM miners have a multitude of negative impacts, including a lack of oversight and increased risk of conflict. For example, larger mining operations who can comply with licensing requirements may apply for licences to mine land that is already being mined by ASGM operations, leading to land conflicts and missed development opportunities.

Recommendations to reduce barriers to entry and streamline licensing procedures include:

- **Reduce ASGM licensing fees:** Licensing costs are also often cited as being prohibitive and a barrier to entry to the formal sector. While ASGM licences and permits may have the potential to generate significant revenues in the future, the current reality of pervasive informality requires reducing barriers to entry to the greatest extent possible. For example, mining organizations that actively work to formalize their operations could be exonerated from fees for the first few years of their formal activity. By doing this, ASGM miners may be more inclined to register their mining operations. Lowering fees will not necessarily result in higher compliance rates, but it is a helpful intervention to create the necessary conditions for drawing ASGM miners and traders into the formal sphere.
- **Decentralizing locations where gold mining and trade licences/permits can be procured:** In many countries, individuals must travel to the national capital to procure a gold mining or trade licence. Costly and time-intensive, this is a significant barrier and deterrent to individuals who may otherwise consider obtaining a mining or trading licence. As such, there is a need to decentralize this process, so that individuals can easily apply for mining and trade permits and licences at offices located close to gold mining areas.
- **Lengthening the validation period of mining permits, including renewal periods:** In many countries, ASM mining permits and licences are only valid for 2–3 years. There are also often limits on how many times a licence or permit can be renewed and the length of the renewal validation period. As a result, most licence-holders will not recoup their investment before the licence expires and are deterred from making investments into improved technology, including more environmentally friendly technology and practices. This is a significant challenge to incentivizing miners to engage with the formal sector. As such, the length of licensing periods needs to be reconsidered and extended where possible.

6. REDUCE BUREAUCRATIC HURDLES AND STREAMLINE ASGM LICENSING PROCEDURES

Relevant stakeholders: Governments, RECs

- **Ensuring requirements for EIAs and other environmental and health and safety standards are feasible for ASGM miners to comply:** Compliance with environmental impact assessment (EIA) requirements is often not feasible for ASGM miners due to prohibitive costs and a lack of technical knowledge. As a result, miners do not register and no environmental protection or remediation takes place. Thus, while perhaps not ideal, more realistic EIA policies, as well as other health and safety requirements, need to be in place to create the opportunity for engagement and more responsible practices in future. To encourage the uptake of more environmentally friendly practices, training on best practices could also be offered to ASGM miners.

Importantly, adjustments to bureaucratic hurdles must not only be *de jure* (in writing) but also *de facto* (in practice). Within government agencies, this will require addressing challenges relating to capacity and corruption that increase red tape and delays in issuing licences and permits.

Reduced bureaucratic hurdles will also benefit traditionally vulnerable groups, such as women. There is evidence that simplified trade regimes can increase the profit margins of small-scale traders, including women-owned businesses.[16]

7. FULLY ADOPT THE AFRICA MINING VISION (AMV) AND EAST AFRICAN COMMUNITY (EAC) MINING BILL

Relevant stakeholders: Governments, RECs

Both the AMV and EAC call for greater recognition and support for the ASM sector. The AMV explicitly states that ASM ‘represents a special challenge, which requires a separate discussion and tailor-made approaches’.[17] The adoption and implementation of the AMV and EAC will support efforts to harmonize and coordinate efforts in the eastern and southern African regions. For example, the EAC Treaty calls for the harmonization of countries’ mining regulations, to ensure environmentally friendly and sound mining practices (Article 114). To this end, the EAC Mining Bill, 2016 calls for harmonized mining regulations to ensure environmentally friendly and sound mining practices. It also provides a means of transparent and accountable mechanisms for the reporting of mining and mineral related activities in the community in a joint environment that will make it easier to declare and track the gold trade within and outside the region. As such, efforts should be made by states to fully adopt and implement both instruments.

Additional resources

- ***Africa Mining Vision***[18]
- ***EAC Mining Bill***[19]
- ***From aspiration to reality: Unpacking the Africa Mining Vision***[20]

8. ENSURE NATIONAL LEGISLATION RECOGNIZES AND CREATES LEGAL AVENUES FOR ARTISANAL AND SMALL-SCALE MINING (ASM)

Relevant stakeholders: Governments, RECs

While most national legislation in eastern and southern Africa specifically recognizes and defines ASM, there are some countries which have yet to do so. The recognition of ASM in national legislative and regulatory frameworks can be supported by RECs and multilateral institutions.

Artisanal miners pan for gold in the Singaita River, South Sudan.
© Reuters/Adriane Ohanesian

EAC Mining Bill (2016), PART IX—ARTISANAL AND SMALL-SCALE MINING, Art. 14

(1) The Partner States shall adopt appropriate legislation to provide for artisanal and small-scale mining, which promotes the realization of safe, efficient and environmentally sustainable working conditions for the miners.

(2) Without limiting the scope of sub section (I), the Partner States shall –
- (a) demarcate specific areas for artisanal and small-scale mining;
- (b) encourage the formation of cooperatives, groups or associations for artisanal and small-scale mining;
- (c) provide technical and financial assistance to artisanal and small-scale miners;
- (d) develop and support a framework for the marketing of minerals produced by small-scale miners;
- (e) address the challenges of gender representation in artisanal and small-scale mining;
- (f) ensure that all persons, in particular women, undertaking any mineral activity or mining operation, are respected and protected, and the use of child labour in artisanal and small-scale operations is prohibited; 22 East African Community Mining Bill, 2017
- (g) adopt appropriate legislation to deal specifically with the peculiarities of the environmental, health and safety operations of artisanal and small-scale mining operations; and
- (h) coordinate and strengthen regional inter-state cooperation in artisanal and small-scale mining operations and, in particular, the prevention of illicit trade in minerals across the borders of the Partner States.

FIGURE 5 EAC Mining Bill (2016), Part IX: Artisanal and Small-Scale Mining, Art. 14.

Knowledge: Markets, political economies and technology

Invest in knowledge building

Gold markets in eastern and southern Africa are dynamic and evolving. Thus, continued monitoring and analysis of the sector is necessary to understand regional patterns and engage effectively. For example, trade, investment and competition policies that are implemented without an understanding of the current market structure and the needs of the private sector are unlikely to achieve sustainable success.[21] Investigations into cross-border flows are therefore valuable to discussions around increasing regional competitiveness. Knowledge is also critical to the development and introduction of new technology. A strong understanding of mining operations, local communities and political economies is necessary to identify the most appropriate and beneficial technologies for a specific setting, increase the likelihood of sustainable uptake and reduce the risk of unintended harms. Furthermore, to design policies that 'do no harm', research is needed to understand how ASGM networks are economically and socially rooted in communities and local power structures. A top-down approach risks undue influence from dominant lobby groups and may protect industries owned by a few market actors.[22]

9. SUPPORT ONGOING RESEARCH (MONITORING AND ANALYSIS) OF GOLD MARKETS, INCLUDING MINING ACTIVITY AND POLITICAL ECONOMIES

Relevant stakeholders: Governments, RECs, NGOs, multilateral institutions, private sector, partner governments

A nuanced understanding of financial flows and how they contribute to informality will empower stakeholders to channel their resources and political will to create better, more resilient, targeted policies and programmes for formalizing ASGM and tackling illicit financial flows as they relate to corruption, money laundering and financial underdevelopment.[23] Illicit gold markets are not static, and continuing monitoring and analysis is essential to identify, respond to and, ideally, pre-empt threats. Building a strong understanding of the complex web of activities, actors, supply chains and financial flows is key to combatting illicit gold markets. This includes the ways in which traditional regulatory systems and entrenched informal business networks are interwoven with national legal systems and formal trade. Forming such an evidence base also requires investigation and analysis of political economies, including the motivations and relative power of influential actors (a market and structure analysis). This enables stakeholders to better identify and tackle criminal threats, as well as recognize opportunities and points of leverage to support overall formalization and development efforts in the sector.

Various research methods that triangulate data from a number of sources to build a more comprehensive and holistic understanding of the ASGM sector and illicit gold markets are recommended. Research methods can include field research (e.g. interviews, surveys, focus group discussions); remote sensing and spatial data analysis; investigations into financial and corporate ownership; and trade data analysis. Also, longitudinal surveys of informal cross-border trade could be supplemented by socioeconomic surveys, to provide insights into the demographic, social and economic status of informal cross-border traders and convey trader perceptions of the quality of infrastructures and experiences at borders. This should include efforts to collect gender-disaggregated data, to enable deeper analysis of women's participation in value chains and trade.

Additional resources

- ***Follow the money: Illicit financial flows linked to artisanal and small-scale gold mining***[24]
- ***Socio-economic ASGM research methodology***[25]

10. SUPPORT RESEARCH AND DEVELOPMENT INTO NEW TECHNOLOGY, AND ITS INTRODUCTION TO MINING COMMUNITIES

Relevant stakeholders: Governments, RECs, NGOs, multilateral institutions, private sector, partner governments

New technologies are continually being developed and it is important that these continue to be supported to curb criminality and better realize the gold sector's development potential. The development of new technology largely falls into three categories of use: to secure supply chains, to develop 'cleaner' technology that has reduced environmental and health impacts, and to increase gold recovery rates. Ideally, the second and third categories should overlap. Factors to consider in the application of different types of technology include value proposition, feasibility of application, measured impact/success factors, limitations, interoperability, adaptability, scaleability and sustainability.[26]

In recent years, there has been debate about the potential of blockchain technology, which allows for data to be validated and subsequently stored as an immutable 'block' on a collectively owned and distributed digital database that tracks supply chain transactions. If this process could be implemented successfully, blockchain can be used to trace gold from mine to smelter to consumer, significantly increasing the transparency and traceability for gold supply chains. However, the application of blockchain in ASGM supply chains is still in an experimental phase and is largely untested. Furthermore, there are several open questions around the technology and its implementation, including its feasibility in current ASGM contexts.[27]

A strong foundational knowledge and cultural understanding is also key to the successful development and introduction of new technology. This has been especially relevant to efforts to develop 'clean technology', which often seeks to reduce the volume or impact of mercury and other chemicals when processing gold-bearing ore. For example, in many contexts, miners have been hesitant to use retorts (a technology that captures mercury released during the extraction process) because the amalgam (and therefore gold) is not visible through the entire extraction process and they fear gold is lost. The speed and cost of gold extraction technology are also important determinants in the uptake of new technology, with miners seeking to extract gold as quickly and cost-effectively as possible.[28]

To implement a technical intervention programme in an artisanal mining community, it is therefore important to understand community dynamics (i.e how they are organized, what they lack, potential solutions, etc.). Buyers and dealers also need to be considered as they can either be a spoiler or supporter of any technology transfer. It is also fundamental that stakeholders be known and trusted before, during and after interventions for proposed solutions to be adopted and implemented by the miners. Trainers should always be available to assist miners and, ideally, they should have a similar cultural background to that of the miners. This can be a slow process and long-term engagement will likely be necessary.[29]

10. SUPPORT RESEARCH AND DEVELOPMENT INTO NEW TECHNOLOGY, AND ITS INTRODUCTION TO MINING COMMUNITIES

Relevant stakeholders: Governments, RECs, NGOs, multilateral institutions, private sector, partner governments

Concept	Action
Know the miners	Identify the miners' strength and weakness
Identify problems	Identify the main technical needs to improve production
Be known	Create links of friendship and trust with miners and their community members
Promote technologies	Demonstrate the efficiency of the 'new' technology to extract gold from the miners' tailings to create credibility
Educate patiently	Start the education process slowly, explaining why the 'new' technology works better
Do not complicate	Use technical concepts and language familiar to local miners
Let miners decide	Demonstrate more than one 'new' technology and let the miners decide what is 'best' for them
Be flexible	Check the receptivity to 'new' technologies and be prepared to demonstrate more than one option
Pick the right people	Train the trainers (select local leaders)
Gold is more important for them	Show the economic advantages of 'new' technologies first and then show the reduction in environmental and health impacts

FIGURE 6 Suggested steps for successful technical intervention at an artisanal mining site.

SOURCE: Marcello M. Veiga, Ustavo Angeloci-Santos and John A. Meech, Review of barriers to reduce mercury use in artisanal gold mining, *The Extractive Industries and Society*, 1, 2014, 351–361.

Ongoing monitoring and analysis are critical to identify and address the unforeseen negative impacts of new technology. For example, in many locations, women process gold ore and are compensated with the tailings, which they reprocess to extract any leftover gold. Improvements in gold processing technology, including the use of cyanide leaching and 'clean' processing techniques, may have a disparate impact on women, taking away an essential livelihood.[30]

Additional resources

- ***Opportunities for technology use in responsible minerals production and sourcing in the DRC***[31]
- ***Mercury management in practice: Case studies with miners in East Africa***[32]

11. SUPPORT UPTAKE OF ELECTRONIC ADVANCEMENTS (DIGITALIZATION AND ELECTRONIC PAYMENT SYSTEMS)

Relevant stakeholders: RECs, Governments, partner governments, multilateral institutions, NGOs

Closely related to the development and introduction of new technology, is supporting the availability and uptake of electronic advancements, specifically land rights and mining and trade licensing systems, and electronic money systems.

The digitalization of land and mining rights and concessions has the potential to streamline bureaucratic processes and make the formal sector more accessible to ASGM stakeholders, in particular the digitalization of cadastre systems. Additionally, mining and trade licences could be digitalized and linked to trade data, both at the national and regional levels. This could contribute to greater oversight and transparency of gold supply chains, while increasing the potential of regional trade schemes that allow traders to operate in multiple countries. The adoption of technologies will require dedicated efforts to support digital skill upgrading and awareness-raising among ASGM stakeholders. If accompanied by efforts to increase regional competitiveness, electronic systems can also help ensure the efficiency, security and traceability of regional value chains.

Already widely used in many parts of eastern and southern Africa, increasing the use of electronic payment systems, commonly referred to as 'mobile money', also has the potential to contribute to a range of positive outcomes in the ASGM and gold trade sectors. For example, it could provide a means of affordable and effective cross-border payments, furthering efforts to make financing and formal supply chains more accessible. A relevant project in this space is the African Development Bank's Africa Digital Financial Inclusion Facility. Mobile money systems could also be integrated with other technology to make transactions quicker (which helps to address issues around trust) and improve supply chain traceability.

Additional resources

- ***The state of the industry report on mobile money*****, African Development Bank**[33]

12. ANALYZE AND CONTINUE TO MONITOR THE IMPACTS OF COLLECTIVE BODIES IN THE GOLD SECTOR (I.E. ASSOCIATIONS, SYNDICATES, ETC.)

Relevant stakeholders: Governments, NGOs

When working with the ASGM sector, government agents, donors and foreign experts need to be sensitive to the complexities of miners' organizational structures and power dynamics. They must avoid empowering a small number of individuals to the detriment of the larger group, or contributing to negative outcomes for traditionally marginalized groups. For example, in the Democratic Republic of Congo (DRC), requirements to form mining cooperatives did not account for pre-existing social structures that extended to the mine site, usually headed by the local elite. As a result, the intervention enhanced the influence of elites, leaving ASM miners with less power and their salaries subject to greater taxation.[34] In other African contexts, cooperatives have been hijacked by dealers, brokers and exporters who use them to perpetuate pre-existing forms of resource capture and revenue-sharing arrangements.[35] The creation of associations or syndicates has also been shown to have a negative impact on women in some instances.

Thus, while the formation of collective bodies offers significant potential benefits for miners, governments and downstream consumers, monitoring and analysis are needed to ensure desired outcomes are achieved and any unintended consequences are quickly identified and addressed. This falls under the broader need for ensuring that efforts to formalize the gold sector do not shrink the space for informal activity, pushing the sector to become more criminalized. This would allow the sector to be further exploited by criminal and corrupt actors who are able to leverage legal and regulatory regimes, including requirements to form collective bodies, to their benefit.

Gold mining

Increase engagement with and support for ASGM stakeholders

ASGM stakeholders are central to gold markets and any effort to curb illicit activity and realize development goals will require increasing engagement with ASGM miners and gold traders. Miners' priorities include security, access to equipment, financing, training and property rights (titles and tenure of mining concessions).[36] To achieve these objectives, as well as implement a host of other recommendations put forth in this policy guidance, it is critical that ASGM stakeholders are adequately capacitated and motivated to engage with policy and programme interventions.

To achieve development goals related to ASGM, it is also important to have strong community foundations in place. This can be achieved by supporting access to health and education, infrastructure development, strengthening local governance and rule of law, increasing financial inclusion and supporting women's empowerment. For investors who are wary of investing directly into ASGM operations, this opens up additional investment opportunities that indirectly support the establishment and scaling of good practices in the gold sector.

13. PROVIDE SUPPORT TO ASGM STAKEHOLDERS TO ENABLE AND INCENTIVIZE THEM TO ENGAGE IN THE FORMAL SECTOR

Relevant stakeholders: Governments, partner governments, RECs, multilateral institutions, NGOs

Providing support to ASGM stakeholders, both miners and gold traders, and incentivizing them to engage with the formal sector and development programmes is a pre-requisite for achieving other policy goals. These steps are also aligned with adopting a development-focused approach and including ASGM stakeholders in policy discussions. It is also important to recognize that ASGM and the gold trade are ultimately economic activities, and they need to be treated as such.

There are several NGOs, multilateral institutions and government programmes carrying out valuable work to support ASGM stakeholders. Activities range from providing equipment, trainings and education to miners, to conducting awareness campaigns, assisting in establishing collective bodies, linking ASGM stakeholders with downstream gold buyers in destination countries, and providing access to finance and financial training, among other interventions. Other interventions have included the designation of 'formalization champions' in local communities and establishing ASGM hubs where ASGM miners and gold buyers can access information, equipment and services.

Regardless of the intervention type, having a strong understanding of the local context, including local political economies and socio-economic dynamics, is critical to increasing the likelihood of sustainable, positive impacts. A lack of foundational knowledge can limit success or result in unintended, undesirable impacts. It is also beneficial when development projects coordinate activities and share lessons learned.[37] For example, there were at least 16 active projects that directly or indirectly addressed child labour in the ASM sector in eastern and southern Africa in 2020.[38]

To increase the potential for large-scale, sustainable, positive impacts, support to ASGM stakeholders needs to be part of a broader effort to effect systemic change. Interventions to support and uplift ASGM stakeholders need to be part of a larger, multifaceted response that includes a wide range of actors and actions that tackle the challenge of illicit gold markets from multiple angles.

Additional resources

- ***Handbook: Developing national ASGM formalization strategies within National Action Plans, UNEP and UNITAR***

14. INCREASE CAPACITY AND FUNDING FOR GOVERNMENT MINING UNITS, INCLUDING THE FORMATION OF ASM-SPECIFIC UNITS

Relevant stakeholders: Governments, RECs

While a wide range of government actors will be needed to tackle the challenge of illicit gold markets, mining ministries and regulatory bodies will undoubtedly play a major role. Yet, if they do not have sufficient funds and capacity, they will be unable to regularly visit and monitor ASGM mining locations. Increasing capacity (including funding) for government mining units in many states will therefore be necessary to achieve policy objectives. This will also contribute to reducing the economic vulnerability of agents, a recommended step to reduce the incentives for engaging in petty corruption.

Increasing capacity should include the formation of ASM-specific units that are trained and familiar with the unique challenges of regulating the ASGM sector and supporting positive development. This should be part of a wider government strategy to build inter-agency coordination. It can also include direct multi-stakeholder engagement with ASGM stakeholders, civil society and the private sector.

15. IDENTIFY AND ADDRESS HUMAN RIGHTS ABUSES

Relevant stakeholders: Governments, partner governments, multilateral institutions, private sector, NGOs, industry organizations

It is often not clear what qualifies as informal, illegal and illicit activity in the gold sector.[39] Yet, it is widely agreed that activity that contributes to human rights abuses (i.e. forced labour and conflict financing) should not be tolerated. As such, identifying and addressing human rights abuses in the sector should be part of the response to curb illicit gold markets. This should be done from a development perspective, working to end harmful practices while minimizing the risk of exasperating harmful outcomes for vulnerable individuals.

On the issue of child labour in ASGM, a note of caution is needed. In practice, child labour in ASGM can take on a wide variety of forms, and efforts to clamp down on child labour can have disparate impacts. Efforts have been made to differentiate between different types of activities by defining the worst forms of child labour and recognizing that some activities are less harmful than others. Other challenges include overcoming community perceptions where child labour is common practice and ASGM incomes are needed to cover school fees or food. As such, efforts to address child labour, as well as other human rights concerns, need to be premised on a strong understanding of the local context, strong community engagement and continual monitoring.

Additional resources

- ***Addressing forced labour in artisanal and small-scale mining (ASM): A practitioner's toolkit***[40]
- ***Mapping interventions addressing child labour and working conditions in artisanal mineral supply chains***[41]
- ***Practical actions for worst forms of child labour in mineral supply chains*, OECD**[42]

16. CREATE OPPORTUNITIES FOR AND SUPPORT RELATIONS BETWEEN ASGM AND LSM

Relevant stakeholders: Governments, private sector, NGOs, industry organizations

Tensions between LSM and ASM play out in a variety of ways and there is a need to identify realistic and practical solutions that are of interest to both stakeholders, allowing them to coexist as harmoniously as possible.[43] This will require LSM companies to have a strong understanding of and build a relationship with ASGM stakeholders, moving beyond security-based approaches. Open communication channels between ASM and LSM operations and legal pathways for feasible cooperation are also needed. Two issues that repeatedly arise at the LSM–ASM interface are land rights and access to tailings. In Zimbabwe, a tributary system has created an opportunity for land agreements between larger mining operations and ASGM miners. This also creates opportunities around buy-back arrangements and technical support. Arrangements for ASGM stakeholders to process LSM tailings could also be considered.

While governments are best placed to mediate positive relations between ASM and LSM, mining companies will also need to consider taking on this role. Industry standards and instruments that call for large-scale operations to engage with ASM include the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Meaningful Stakeholder Engagement, the Initiative for Responsible Mining Assurance, and ICMM Performance Expectations.[44]

Additional resources

- ***Working together: How large-scale mining can engage with artisanal and small-scale miners*, ICMM**[45]

17. INVEST IN DEVELOPMENT PROJECTS IN GOLD-PRODUCING AREAS

Relevant stakeholders: Governments, RECs, partner governments, multilateral institutions, NGOs

Curbing criminality and pursuing development outcomes in the gold sector can go beyond direct interventions to include investments into development initiatives that benefit communities in other ways. Investing in communities creates a stronger foundation for future interventions that may focus directly on the ASGM sector. For example, investments into increasing financial inclusion, such as the uptake of electronic payment systems, can further efforts to curb illicit gold markets. Also, improvements in access to education and health services – in particular issues relating to children and women – will have positive impacts that will benefit the ASGM sector.

Investments in infrastructure also have the potential to deliver benefits to the ASGM sector. Transaction costs heavily influence gold supply chains, empowering illicit actors and contributing to smuggling. High transport costs, especially in the Intergovernmental Authority on Development and EAC regions, emphasize the restrictive impact of poor infrastructure on intra-African trade. The least developed, landlocked countries in Africa face the highest transport costs, which undermines their competitiveness and potential to benefit from tariff liberalization.[46] As a result, investments in infrastructure can strengthen regional value chains (and in turn regional competitiveness), making it easier for development actors to access gold mining areas and for ASGM stakeholders to access formal markets. However, infrastructure projects have also been tied to corruption and illicit gold markets. As such, all infrastructure investments and projects require high levels of monitoring and oversight to prevent corrupt and criminal activity.

Another benefit of investing into development projects in gold-producing areas is that it creates other engagement options for actors who may be wary of engaging directly with ASGM, such as impact investors. For example, portfolios that address climate change, environmental resilience and rural development can also benefit development efforts in the ASGM sector.[47]

Address land rights issues

Access to land and securing mining rights is a significant barrier to drawing ASGM into the formal sector. Powerful actors, often with criminal and/or political connections, manipulate land rights and access to gold deposits in their favour. A lack of clarity and limited access to property rights and mineral deposits contribute to corruption and criminality on issues of land rights. For this reason, addressing land rights issues and ensuring ASGM miners can access productive gold deposits are critical to curbing illicit gold markets.

18. ESTABLISH AND MAINTAIN ELECTRONIC CADASTRES, AND ENSURE THEY ARE ACCESSIBLE TO ASGM STAKEHOLDERS

Relevant stakeholders: Governments, multilateral institutions, NGOs

Developing independent and dependable electronic cadastre systems is crucial to bringing clarity to the ASGM sector. Without clear, current and functional electronic cadastres to define property rights over mineral deposits, conflict and corruption become tools for controlling extraction. Electronic systems lay the foundation for greater accountability and transparency in extractives sectors by providing platforms that are more transparent and accessible.

It is important that electronic cadastres are developed in conjunction with ASGM stakeholders. Existing land and mineral rights systems and mining cadastres have largely focused on LSM. For electronic cadastres to benefit ASGM they must be accessible, provide opportunities for ASGM miners to register their claims, and be accompanied by legal mechanisms and regulatory support that enable ASGM to protect their land rights. Due to the technological requirements and knowledge related to making applications, technical support should be provided to ASGM stakeholders where needed.

19. ASSESS OPTIONS FOR GEOLOGICAL MAPPING TO BENEFIT ASGM

Relevant stakeholders: Governments, partner governments, multilateral institutions, NGOs

Governments and other actors should consider options for geological mapping that can benefit ASGM. The lack of geological mapping accessible to ASGM stakeholders inhibits efforts to draw them into the formal sector for a variety of reasons. For example, the uncertainty of success in ASGM operations is a barrier to securing finance. Meanwhile, unproductive mining concessions have contributed to the failure of some development projects and efforts to establish artisanal mining zones. Geological assessments are a cost-effective way to empower ASGM operations to access formal financing options and to establish realistic expectations of returns for investors. They can also aid in the identification of mining zones and encourage their use.

When productive deposits are identified, there is a risk they may be appropriated by political or business elites, or used for LSM operations. It is therefore important to prioritize development objectives and put sufficient safeguards in place to ensure mapping is used to benefit the ASGM sector.

20. ASSESS THE POTENTIAL FOR ARTISANAL MINING ZONES

Relevant stakeholder: Governments

A policy that has been proposed or implemented in various countries is the creation of artisanal mining zones or corridors. However, to date these have seen limited success. One reason for the lack of success is that gold deposits located in the zones are not profitable, either as a matter of fact or because that is a perception of ASGM miners. Another reason is that ASGM miners do not meet the minimum requirements to mine in the zones, such as belonging to collective bodies.[48] Consequently, while there are potential benefits to establishing artisanal mining zones, several steps need to be taken to increase the chances for long-term success. These include engaging with ASGM stakeholders early in the process and including them in meaningful engagement throughout, and ensuring that the locations selected are productive.

Improve access to finance and financial inclusion

A major barrier to establishing and scaling good practices in the ASGM sector is the lack of access to financing. There is an absence of formal financing options and financial services from banks and other financial institutions. Contributing to the challenge is the fact that banks and potential investors perceive the ASGM sector as high-risk. Remote locations and low levels of financial literacy among ASGM miners further compound financial exclusion. The financial gaps left by a lack of financing options and financial exclusion are filled by informal and criminal actors, leaving ASGM miners reliant on illicit gold markets.[49] As a result, there is a pressing need to improve access to finance and financial inclusion to curb illicit gold markets.

The challenge of financing is not limited to the gold sector. Across Africa, exporters have cited access to finance as the greatest obstacle to conducting business.[50] For example, despite its well-developed and sophisticated financial system, less than 5% of small businesses in South Africa rely on formal financial institutions for funding. Thus, access to finance in the ASGM sector can be part of a larger conversation about improving access to finance and stimulating economic growth more generally.

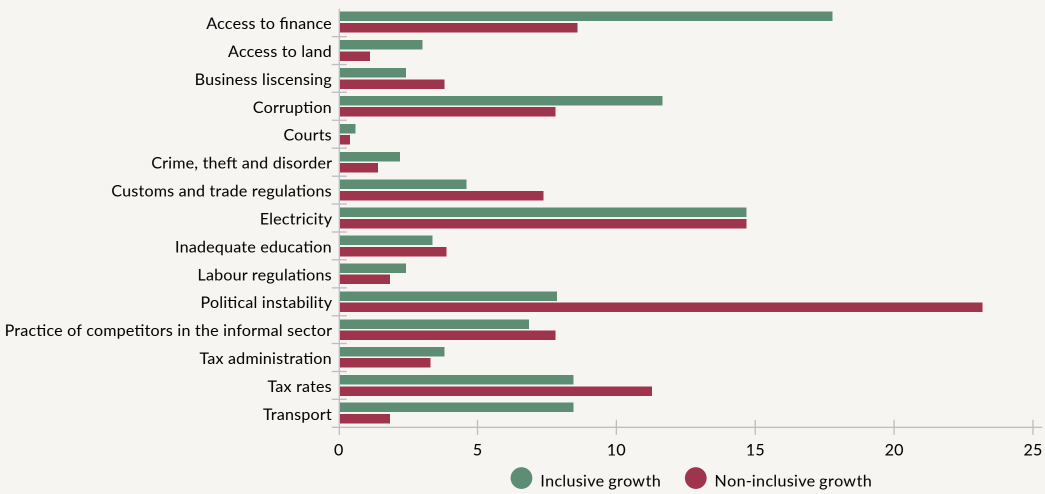


FIGURE 7 Obstacles faced by exporting African enterprises (percentage), 2021.

SOURCE: Adapted from UNCTAD, Reaping the potential benefits of the African Continental Free Trade Area – Report, 2021, https://unctad.org/system/files/official-document/aldcafrica2021_en.pdf

21. SUPPORT THE DEVELOPMENT AND ACCESSIBILITY OF FINANCIAL PRODUCTS FOR ASGM MINERS AND SMALL-SCALE GOLD TRADERS

Relevant stakeholders: Governments, private sector, multilateral institutions

The promotion of suitable financing solutions for ASGM stakeholders, both miners and gold traders, is critical to curb illicit gold markets. Potential investment vehicles and their application to ASGM are presented in Figure 8. There are a number of projects underway at different development organizations to make financing available to ASGM stakeholders. These efforts are a positive development and should be commended and supported.[51] For interventions to be sustainable and have a broader impact, they must be accompanied by action from both government and the private sector (both in the financial and gold sectors).

In the rare instances that loans are available, terms can be very unattractive due to collateral requirements that most ASGM operators are unable to meet. When equipment can be offered as collateral, operations are often located in remote regions, providing little comfort to financial institutions who recognize the difficulties involved in seizing the secured asset if the loan is not repaid. In addition, while LSM and exploratory mining companies can provide geo-data and evidence of gold deposits as collateral for commercial loans, this is not the case for ASGM operators, who are unable to fund geological surveys.[52] Support for conducting geological mapping can therefore benefit efforts to increase access to finance. More broadly, lenders need to consider alternative approaches or lending structures to address the challenge of lack of capital, especially for women applicants.

Where ASGM financing is available, loan recipients and financial vehicles must be strategically selected and the appropriate support must be put in place on the ground. It is also important to build rapport with loan recipients and to understand the local context – namely gold and financial flows, and political economies – to protect against illicit actors hijacking or undermining investments.

Efforts to increase access to finance will also benefit from efforts to increase financial inclusion, for example, by increasing the uptake of electronic banking systems and investing in communities. In gold mining areas, rates of financial literacy can be low, especially among women. As such, strategies to increase access to finance and financial inclusion in the ASGM sector should also seek to build financial literacy among ASGM miners and small-scale gold traders.

Additional resources

- ***The barriers to financial access for the responsible minerals trade in the GLR***[53]
- ***Improving access to formal finance in artisanal and small-scale gold mining***[54]
- ***OECD/INFE Toolkit to measure financial literacy and inclusion***
- ***Small business management in the artisanal and small-scale gold mining sector, Artisanal Gold Council and Asia Pacific Economic Cooperation***

FIGURE 8 Investment vehicles and application to ASGM.

SOURCE: Marcena Hunter and Lucia Bird, Barriers to private sector engagement in the artisanal and small-scale gold mining sector (unpublished)

Financing vehicles	Description	Application to ASGM
Secured and unsecured term loans (debt financing)	Loans are a form of debt financing, which means there is an obligation to repay the investor. By contrast, in equity financing agreements instead of a repayment schedule, investors will receive stock or some other form of ownership share of the investee. Interest rates attached to commercial loans vary depending on the relevant jurisdiction, the lender and the risk profile of the borrower. High risk typically increases interest rates. Term loans have set repayment periods for the monies borrowed. Once repaid, the funds cannot be borrowed again, unlike revolving loans (see below). 'Security', also called 'collateral', is often required by lenders. Secured loans are 'charged' over assets of the borrower so that if the borrower defaults, the lender has the right to take possession of the asset. Unsecured loans do not 'charge' assets in this way.	The perceived high-risk nature of ASGM means financial institutions may be uncomfortable making unsecured loans, while many ASGM operators cannot provide collateral. Thus, interventions that help overcome these barriers, such as guarantees offered by development finance institutions (DFIs) or the funding of geological exploration, may be useful. Ethical lending concepts, which centre around the affordability of the loan to both borrower and lender, could also shape debt financing to ASGM. For example, DFIs sometimes provide 'concessional lending', which are interest-free or low-interest loans. Alternatively, repayment rates could be linked to producer productivity. These forms of financing will likely only be attractive to social finance providers.
Ring-fenced loan (debt financing)	Ring-fencing is a risk mitigation strategy in which a financial institution creates a virtual separation between pools of assets. It is typically used when one pool of activities is considered higher risk than others. By isolating the high-risk asset, the risk rating of the mainstream activities is not affected.	Financial institutions regularly assert that ASGM actors would not pass the stringent due diligence requirements, which aim to protect against money laundering and other threats. To isolate the risk of engaging with ASGM from other mainstream financial products, loans premised on lower due diligence requirements could be ring-fenced. The higher business risk of these instruments could be mitigated through guarantees provided by DFIs.
Revolving funds (debt financing)	Revolving funds allow a borrower to draw, repay and redraw the loan monies up to a maximum approved loan limit during a set period of time. Also known as an evergreen lending structure or a revolving credit facility, this is a flexible form of lending often used by companies to fund working capital needs.	Revolving funds allow borrowers to disburse a loan in small batches. This can shield the investor from the risk of total default. It also relieves pressure from the borrower, in this case ASGM stakeholders, by making the total outstanding debt at any one time far smaller than if a bulk loan were issued.

Financing vehicles	Description	Application to ASGM
Blended finance instruments	Funds are provided by both private sector actors and state or development actors. Blended finance can play a key role in drawing private sector investments to projects that are not initially commercially attractive but have the potential to become commercially viable over time.[55]	This model can be used to mitigate early ASGM entrant risks and costs, making investments more attractive to private sector investors seeking a return.
Microcredit	Microcredit is the lending of small amounts of money to new businesses, which often lack the financial history and collateral required to borrow from formal financial institutions. Microcredit can carry high interest rates due to the short-term, low-volume and high-risk nature of the loans.	Programmes based on microcredit structures have been piloted and used by some development organizations in the context of ASGM. However, the financial needs of ASGM actors often exceed the maximum available under microcredit facilities.
Equipment leasing models	A contractual agreement in which the equipment owner (the lessor) allows the lessee to use the equipment in return for periodic payments. The lessor retains ownership of the relevant equipment. The key types of equipment leasing models are: (i) capital leases, which are typically long-term, and the lessee seeks to purchase the equipment at the end of the lease, and (ii) short term, where the lessee typically does not take ownership of the equipment, and will return it or replace it with different equipment at the end of the term.	Equipment leasing models, in some cases backed by development finance, have been utilized as an interim solution for ASGM financing. Although equipment leasing models effectively empower ASGM actors to upscale good practices, some development actors have reported negative experiences and greater data collection is required to verify whether they are a sustainable investment model.

22. MAKE DEVELOPMENT FUNDING AND FINANCIAL TOOLS AVAILABLE TO THE ASGM SECTOR

Relevant stakeholders: Governments, RECs, multilateral institutions

DFIs are specialized institutions set up primarily to provide development and project finance, with the World Bank and the African Development Bank being the most relevant for eastern and southern Africa. DFIs can act as a bridge between private financiers and ASGM by providing either direct financing to projects or through 'de-risking' tools, such as guarantees or the provision of first loss collateral to debt finance provided by the private sector. Blended finance models could be useful to support the formalization of the trade, and to make it financially feasible for investors to engage.

Another potential source of finance is national funds dedicated to supporting ASM. These already exist in some countries but have had limited success due, in part, to corruption and the misallocation of funds. As such, while national development funds have the potential to uplift the sector and curb illicit gold markets, significant oversight mechanisms are needed to protect against corruption.

23. LEVERAGE RESPONSIBLE INVESTMENT TO ENCOURAGE INCREASED PRIVATE SECTOR ENGAGEMENT WITH THE ASGM SECTOR

Relevant stakeholders: NGOs, multilateral institutions, governments, private sector

Impact investment (also known as social finance and responsible investing) has seen explosive growth in recent years as part of a larger trend of conscious consumerism.[56] Promising financial products emerging in the social finance space include initiatives that aggregate the financial needs of several ASGM, enabling them to meet investor minimum requirements and reduce the risks of default on repayment. Another option is patient capital, which allows for much longer timeframes on returns, guards against unrealistic investor expectations and offers ASGM stakeholders more lenient loan repayment terms.

However, most investors currently view the sector as high-risk for both environmental and social reasons, as well as from a financial perspective. Sustainable investment decisions often rely on environmental, social and governance (ESG) ratings. Investment into ASGM could be rated favourably if increased private sector engagement is viewed as a positive action, but if investments into ASGM are viewed as contributing to environmental and human rights harms, they are rated very negatively. Thus, it is necessary to engage with ESG ratings companies to enhance the understanding of how investing in ASGM mitigates ESG risks as opposed to contributing to them. Governments, development organizations and civil society can also support these efforts by increasing awareness of and compliance with ESG ratings among ASGM stakeholders.

Investors also have fears about return on investment due to the lack of available geological assessments and the fact that it can sometimes take years to see a return on investment. Investments into geological assessments and technology are therefore likely to assist ASGM actors in securing much needed financing.

Additional resources

- ***Unlocking finance for artisanal and small-scale gold mining: A frontier investment sector***[57]
- ***ESG performance and risk management handbook for artisanal and small-scale mining***[58]

Gold supply chains

Increase regional harmonization and competitiveness

Regional complementarities are key to generating economies of scale between African countries. Because countries in eastern and southern Africa have similar comparative advantage profiles, building regional competitiveness will be key to reversing trends of intra-regional competition.[59] Also, illicit gold supply chains are regional in nature and will continue to be so for the foreseeable future, easily traversing borders. Yet, currently, gold policies often reduce regional neighbours to the status of overseas competitors in terms of tariffs and other fees.[60] Furthermore, policies at the subregional and country levels share similar ambitions, including the prioritization of the mining sector. When each country aims to become the regional hub, it increases direct competition with its neighbours, resulting in a zero-sum game that hinders local capacity development.[61] Thus, a paradigm shift is needed for regional states to see themselves as competing together against the world. There are major advantages to creating a regional market, but it will require unprecedented levels of regional cooperation.[62]

	South Sudan	DRC	Uganda	Rwanda	Burundi	Kenya	Tanzania	Mozambique	Zimbabwe	South Africa
African Union[63]	Ratified	Ratified	Ratified	Ratified	Ratified	Ratified	Ratified	Ratified	Ratified	Ratified
Tripartite Free Trade Area	Signed	Signed	Ratified	Ratified	Ratified	Ratified	Signed	Signed	Signed	Ratified
African Continental Free Trade Area	Signed	Signed	Ratified	Ratified	Ratified	Ratified	Ratified	Signed	Ratified	Ratified
Eastern African Community[64]	Ratified	Applied	Ratified	Ratified	Ratified	Ratified	Ratified			
International Conference on the Great Lakes Region	Ratified	Ratified	Ratified	Ratified	Ratified	Ratified	Ratified			
Common Market for Eastern and Southern Africa		Ratified	Ratified	Ratified	Ratified	Ratified			Ratified	
Southern African Development Community		Ratified					Ratified	Ratified	Ratified	Ratified
Intergovernmental Authority on Development	Ratified		Ratified			Ratified				
Economic Community of Central African States		Ratified		Ratified	Ratified					

FIGURE 9 Membership of regional economic communities and trade organizations.

A woman works at a crushed ore concentrator in the gold mining village of Mikei, Kenya.
© James Wakibia/SOPA Images/ LightRocket via Getty Images

RECs comprised of various member countries can play a key role in both harmonization and building regional competitiveness (Figure 9). The African Continental Free Trade Area, which encompasses the most member states from eastern and southern Africa, aims to boost intra-African trade and harmonize trade rules across RECs and regional trade agreements.[65] The Tripartite Free Trade Area (TFTA) is also a significant REC. Officially launched in 2015, the TFTA brings together the Southern African Development Community (SADC), the East African Community (EAC) and the Common Market for Eastern and Southern Africa. The DRC has applied to join the EAC. To date, RECs have struggled to achieve their full potential. REC secretariats lack the enforcement mechanisms and coordination capability to ensure alignment between national and regional programmes and policies, while national governments have been reluctant to implement certain policies and regulations.[66]

Tax coordination will play a key role in building regional competitiveness. Discrepancies between national taxation and regulatory regimes contribute to gold smuggling. Relatedly, repatriation and currency exchange controls also drive gold smuggling and money laundering, specifically trade-based money laundering. However, regional harmonization of tax and regulatory schemes has been a significant challenge generally, not just in relation to gold.[67] Trade agreements, whether multilateral, regional or bilateral, entail some loss of national sovereignty and tariff revenue.[68] This can trigger resistance or hesitation among member states. Yet, tax coordination is an important step in the path towards deep regional integration.[69]

In East Africa, tax harmonization is a pillar of the EAC Customs Union, which became operational in 2010 and calls for the formation of a single market and investment area. To achieve this, the EAC is working to harmonize the taxation regimes of its member states.[70] Article 83(2)(e) provides for the harmonization of domestic tax policies with a view to removing tax distortions to bring about a more efficient allocation of resources within the EAC. Yet, significant differences among EAC member countries' tax systems persist and little progress has been made in harmonizing their tax regimes.[71]

The SADC has also faced challenges to harmonize tax regimes. Like gold, studies have found that differences in rates of value-added tax (VAT) and excise were a key cause of the smuggling for other commodities. The SADC VAT and excise guidelines, published in 2016, cover the design, administration and exchange of information, as well as mutual assistance in the field of VAT and excise, with a goal of promoting harmonization in the region. Yet, due to the existence of diverse VAT regimes and tariff structures in the tax systems of member states, as well as the fact that member states are also members of other trade blocs, the process of formulating and harmonizing fiscal policies in the SADC is very complex.[72]

24. DEVELOP AND IMPLEMENT STRATEGIES TO INCREASE REGIONAL COMPETITIVENESS IN THE GOLD SECTOR

Relevant stakeholders: Governments, RECs

RECs have proliferated in Africa, creating a mixture of overlapping, sometimes incompatible, preferential trade regimes.[73] Membership in multiple RECs complicates national trade regimes and prevents the deeper integration of member states into one group. For RECs to reach their full potential, concerted efforts and cooperation among states parties, across RECs, are required to reduce the complexity of the regulatory landscape, build synergies, and achieve the integration necessary to increase regional competitiveness on a global level. Their authority must also be strengthened and their funding and capacity increased.

Building a regional competitiveness strategy will require policy shifts and novel strategies. Discussions must take place among a wide range of stakeholders, which ought to include mining, tax, trade and financial experts. There should also be an opportunity for ASGM stakeholders to give input, as well as law enforcement, development, and environmental authorities. It will also require identifying how regional trade hubs can be leveraged to realize greater economic and development outcomes at the regional level.

Member states also need to foster the gradual harmonization (e.g. joint definitions of objectives and requirements, preferably converging towards international and continental standards), equivalence (e.g. recognition of technical regulations, standards and conformity assessments of other states as equivalent in achieving policy objectives) and mutual recognition (i.e. accepting the procedures of other states) of trade-related measures.[74] Regional logistics equalization schemes that address the higher transport costs of supplying downstream intermediaries and markets could also be considered.[75]

As part of these efforts, regional tax guidelines, directives and commentaries that shape common tax designs and systems are needed.[76] For example, the SADC has called for broad collaboration on tax incentives to reinforce regional coordinated actions to respond to the issue of harmful tax competition.[77] Three elements describe tax harmonization: an equalization of tax rates, a common definition of national tax bases and a uniform application of agreed rules. The latter is particularly important since tax competition can take the form of lax application of tax rules, such as low audit rates.[78] Specifically for gold, there is a need for coordination on export taxes and favourable treatment of gold that is in transit between member states. Other fees and processes also need to be accounted for in setting rates, in particular assay fees, licensing fees and export processes.[79]

While perhaps a novel concept in the gold sector, several African RECs are already actively supporting regional value chains.[80] The Action Plan for the SADC's Industrialization Strategy prioritizes minerals extraction as one of six key clusters for regional value chain development (e.g. Minerals Beneficiation Strategy).[81] Also, the Single Customs Territory, introduced in 2013, crosses Kenya, Rwanda and Uganda and addressed inefficiencies along the trade corridor and the non-tariff barriers hindering the transit of goods. Relevant reforms include the deployment of Rwandan and Ugandan customs officials in Kenya, and upgrading and interfacing of customs information technology systems.[82] Similarly, the implementation of the East African Community Customs and Management Act has been one of the successes of regional integration in the EAC. Coordinated development of customs policy within the region offers certainty to investors and promotes the freedom of movement of goods within the EAC.[83]

A seller displays his gold to potential buyers in Kapoeta, South Sudan.
© Reuters/Adriane Ohanesian

25. STREAMLINE AND MINIMIZE FISCAL REGIMES (FEES AND TAXES) FOR ASGM MINERS AND GOLD TRADERS

Relevant stakeholders: Governments

The lack of clear, streamlined fiscal policies applicable to the trade and export of gold drives illicit flows. In some countries, a multitude of authorities and various fees, royalties and repatriation requirements create a situation where exporting gold through formal channels is not only difficult, but also unprofitable.[84] It is also not uncommon for various actors to demand extra payments or bribes, further increasing costs. In some contexts, fiscal regimes, such as VAT rebates, are abused to launder gold and engage in money laundering. As such, it is important for gold trade and export fiscal regimes to be clear, streamlined and minimal.

Trade and taxation policies can be shaped to encourage engagement with the formal sector and responsible sourcing efforts. Special dispensation or a significantly reduced tax burden could be offered to buyers and dealers who engage with traceability and certification pilot projects. Other economic incentives, such as linking buyers with downstream gold buyers, or providing services should also be considered to encourage engagement.

When designing fiscal regimes (especially taxation and royalty rates), it is important to adopt a development approach. While the long-term objective may be to increase state revenues from the gold trade, illicit gold markets are resulting in a host of other negative impacts that go beyond lost rents. As such, a development approach that draws the ASGM and gold trade sector further into the formal sphere is needed before the goal of maximizing state revenues can be realized.

Support the development of a responsible gold trade

When efforts to establish responsible gold supply chains impose unrealistically high standards and sourcing requirements, they can push ASGM miners and gold buyers, who lack the knowledge or resources to comply, into the arms of criminal actors and illicit gold markets. To be inclusive and to facilitate increased engagement in the formal sector, responsible sourcing requirements need to be realistic, incrementally implemented in partnership with miners and traders, and exercised in a flexible manner.[85] Engaging with responsible supply chain codes and guidance can also deliver economic benefits to downstream gold buyers. Increasing the number of ASGM sourcing options will also help to grow and normalize responsible ASGM gold supply.

26. DESIGN AND IMPLEMENT GOLD BUYING STRUCTURES AND PROGRAMMES BASED ON CONTEXT, CAPACITY AND POLICY OBJECTIVES

Relevant stakeholder: Governments, RECs

Gold buying structures needed to be tailored to the specific challenges, policy objectives and capacity of states. Also, what may be an ideal buying structure in the long term may not be possible in the short term due to capacity constraints. As such, to best fit a country's unique situation and goals, gold buying structures need to be informed by a strong understanding of formal, informal and illicit gold markets, and continually assessed and coordinated with regional partners. It is also important to emphasize that effective proactive engagement with miners and traders is necessary to increase the likelihood of success.[86] Thus, stakeholders may need to adopt strategies to engage with established informal networks, even if they require working with less-than-ideal partners. Outside actors, such as NGOs, academics and multilateral institutions who have a strong knowledge of the benefits and drawbacks of various approaches and lessons learned from other countries, are also valuable partners in this exercise. Factors to consider when designing buying programmes include:[87]

- **Coordination and management of gold-buying programmes:** Central banks are frequently charged with managing gold-buying systems. However, they often have little coordination with mining or other relevant ministries. There is therefore a need for inter-agency coordination.
- **Incentives:** Gold miners and traders are often driven by price, selling to the highest bidders. Thus, buying gold at a higher price than what is offered in illicit markets can incentivize ASGM stakeholders to sell gold in formal supply chains. Yet, pricing also needs to be sustainable and not compromise operational capacity. Reaching an agreement on who will absorb the costs, including downstream buyers, and their willingness to do so is paramount to successfully implement this approach.

  There are also other factors at play, in particular financing arrangements. Formal gold buyers will often be unable to compete with illicit buyers on price alone. As such, other incentives need to be considered, such as providing access to finance and providing access to safe, efficient and affordable processing areas.

26. DESIGN AND IMPLEMENT GOLD BUYING STRUCTURES AND PROGRAMMES BASED ON CONTEXT, CAPACITY AND POLICY OBJECTIVES

Relevant stakeholder: Governments, RECs

- **Decentralized buying locations:** Quick and low-cost transactions are a priority for many ASGM miners. Thus, there is a need for decentralized buying options that are close to gold-producing areas. Decentralized buying arms with a presence at the mining district also have better local knowledge and oversight than centralized buying offices. However, oversight of the offices themselves is more difficult, potentially increasing corruption risks. As such, a balance needs to be found based on context and capacity.
- **Liquidity:** Buyers need to have enough cash on hand to reliably be able to buy all gold presented for sale. Electronic banking systems could play a role in overcoming this challenge, as well as making it easier to track financial transactions.
- **Due diligence:** A 'no questions asked' policy has the benefit of lowering barriers to entry, which furthers the policy objectives of increasing engagement with ASGM stakeholders and capturing a greater share of gold revenues. However, the approach undermines efforts to minimize negative impacts and raise standards in the gold sector. In the short term, it may not be possible to design a gold-buying system that fully resolves the tension between the various policy objectives. Thus, short-term due diligence policies need to be tailored to the current context, government capacity and objectives, and may differ from long-term goals. Engaging with due diligence standards and codes will be useful in finding a workable balance.
- **Community buy-in:** To win the support of ASGM communities, a share of revenues generated from gold sales can remain within the community. This may help to increase community buy-in and incentivize communities to apply peer pressure on miners to sell within formal supply chains.

Additional resources

- ***State gold-buying programmes: Effective instruments to reform the artisanal and small-scale gold mining sector***[88]

Gold slabs are subjected to an electro-refining process to remove impurities, Rand Refinery Ltd., South Africa.
© Waldo Swiegers/Bloomberg via Getty Images

27. ACTIVELY ENGAGE WITH RESPONSIBLE SUPPLY CHAIN CODES AND GUIDANCE

Relevant stakeholders: Private sector, governments, partner governments, multilateral institutions, NGOs

There has been a proliferation of standards, guidance, certifications and audit schemes in the mineral sector. Importantly, many instruments call for private sector actors to responsibly source gold from ASGM, including in conflict and high-risk areas. 'Lean in' due diligence practices encourage gold buyers to responsibly source gold from ASGM and support good practices, as opposed to cutting off supply chains as part of de-risking strategies.[89] Also, while frameworks have typically focused on the strength of management systems, there is a need to assess the impact of responsible sourcing on mining communities and outcomes for ASGM miners and communities.[90]

Greater engagement with ASGM stakeholders, both miners and gold traders, is also needed to assess the feasibility of requirements, how best to implement them, and how best to achieve positive outcomes for source communities. If standards and certification regimes set unattainable standards for many ASGM stakeholders, it will prevent them from engaging with the formal sector and push them into illicit gold markets. For example, the increased costs of due diligence and how to manage the increased financial burden across the gold supply chain needs to be a part of the dialogue about responsible sourcing to ensure these issues are not entirely shouldered by ASGM stakeholders.[91]

The OECD's 'Due diligence guidance for responsible supply chains of minerals from conflict-affected and high-risk areas' is a prominent and widely adopted instrument. For example, the EU Conflict Minerals Regulation requires companies to follow the OECD guidance when buying gold. The CRAFT Code is a standard that stakeholders can use as a tool to become compliant with the OECD Guidance, as well as other standards and guidance schemes.[92] Governments and regional bodies can improve sourcing practices by supporting ASGM miners and local buyers to comply with standards.[93] This can also be part of efforts at the regional level to adopt harmonized standards and align gold policies.

In alignment with a development approach, steps should be taken to secure supply chains in an incremental and flexible manner to encourage the greatest opportunity and uptake among ASGM miners and buyers. This should be done working closely with ASGM communities and creating incentives to encourage miners to sell to formal buyers.[94] Private sector actors can consider securing individual supply chains and sourcing gold from mines that are either in the process of achieving certification or meeting due diligence requirements.

NGOs can support ASGM stakeholders to better understand responsible sourcing requirements and support them in meeting standards, conduct research on supply chains, political economies and impacts of responsible sourcing standards on the sector and local communities, and engage in outreach that aids in shifting public perceptions about the sector and the risks of engagement versus non-engagement.

Additional resources

- ***Due diligence guidance for responsible supply chains of minerals from conflict-affected and high-risk areas*, OECD** [95]
- ***CRAFT Code implementation guides and resources***[96]
- ***Costs and value of due diligence in mineral supply chains*, OECD**[97]

28. ASSESS THE ROLE OF AFRICAN-BASED REFINERIES IN GOLD SUPPLY CHAINS, AND IMPLEMENT NECESSARY OVERSIGHT MEASURES TO ACHIEVE POLICY OBJECTIVES

Relevant stakeholders: Governments, partner governments, RECs, private sector

There has been a boom in the number of refineries in the eastern and southern Africa region in the last 10 years.[98] There are now dozens in South Africa, as well as a growing number of refineries or plans to build refineries in Uganda, Rwanda, Kenya and Tanzania. Refineries offer a way for states to increase local beneficiation and are touted as a strategy to combat gold smuggling by shortening supply chains.

However, there are questions around commercial feasibility and economic benefits of establishing African refineries. There are several commercial reasons beneficiation policies will struggle to see success in the short term. Globally, gold refineries are operating under capacity, struggling to find enough feedstock. In 2020, it was estimated that 13 of the refineries operating in Africa could handle more than 1 400 tonnes of gold a year, around twice of Africa's estimated total gold production.[99] Rand Refinery, Africa's only London Bullion Market Association (LBMA)-accredited refiner, which can refine more than 300 tonnes of gold per year, was producing less than half this volume in 2019 and looking to its African neighbours to increase feedstock.[100] African refineries also face challenges around treatment and refining charge margins (i.e electricity, labour and transportation costs), compared to overseas competitors. The drive to secure feedstock heightens the already high risks of refineries being abused to launder gold and smuggle it off the continent, especially if sufficient regulatory and oversight mechanisms are not in place.

Commercial challenges are heightened by protectionist policies in transit and destination states. For example, in 2013, in a bid to boost domestic refining and decrease imports of refined gold from trading hubs, India taxed doré imports at 8% import tax, while refined bullion had a 10% import tax. Indian refiners were further advantaged by tax breaks for setting up refineries in special economic zones in disadvantaged states. As a result, Indian refiners had a net positive margin of 1%, a notable margin in the sector. In 2016, even after the Indian government readjusted the tax differential to 0.65%, domestic refiners were still selling domestically refined gold cheaper than imported refined bullion.[101]

Similar challenges are also faced in the jewellery sector, another industry targeted to increase local beneficiation. The world's largest gold jewellery consumers and exporters – India and China – have the advantage of commercial, physical and cultural proximity to consumers. Both countries also have export processing zones that offer a range of tax concessions and duty- and VAT-free trading.[102]

Beneficiation has the potential to be a successful long-term economic policy, but it needs to be a part of wider, regional industrial strategy that assures economic benefits along the value chain. Beneficiation policies could include developing downstream, end-user industries and lateral upstream industries, such as mining equipment manufacturing.[103] Because current domestic and regional gold markets are too small to absorb a large portion of gold production, policies that link African refineries to international value chains are needed. Efforts to increase regional coordination and regional competitiveness will be critical to these efforts. This will require action by RECs and will benefit from the support of downstream country governments, multilateral institutions and industry bodies. Continued monitoring and analysis of gold supply chains and political economies are also needed to identify and address criminal and corruption risks.

Additional resources

- ***LBMA Refiners toolkit***[104]
- ***Responsible mineral assurance process: Gold refiner standard***[105]

29. ENSURE THAT CLEAR LEGISLATION ON THE TRADE AND USE OF MERCURY AND CYANIDE FOR GOLD PROCESSING IS IN PLACE AND ENFORCED

Relevant stakeholders: Governments, partner governments

Mercury and cyanide are widely used in the processing of ore to extract gold. While there has been a significant amount of action on the issue of mercury usage and pollution in the ASGM sector, there is a gap when it comes to cyanide. This is a concern due to the proliferation of cyanide processing across eastern and southern Africa, as well as the legal grey area it occupies. The increasing use of cyanide is also shifting supply chain dynamics and financial flows within illicit gold markets. As such, the use of cyanide and its impacts on illicit gold markets, as well as health and the environment, warrants further investigation. Thus, more definite legislative and regulatory guidance pertaining to the definition and use of the chemicals in the processing of gold is needed.

Greater enforcement is also required. Given the multifaceted nature of the challenge, inter-agency coordination is needed and regulatory actors need to have the knowledge and capacity to identify and seize illicit mercury and cyanide flows.

Demand also needs to be addressed. When supply and use of the chemicals are heavily restricted without also reducing demand, mercury and cyanide become valuable commodities on the black market.[106] As such, supporting the introduction of less harmful processing methods and technology would be beneficial.

In developing regulations around the use of cyanide, it is important to recognize there are divergent views on its use in ASGM. Although there are significant short-term safety hazards, including for livestock, it is possible to use cyanide safely with minimal risks to health and the environment. As such, there are some who advocate for cyanide to replace mercury processing, especially given that the processing method has a higher gold recovery rate.

Additional resources

- ***Best management practices for cyanide use in the small-scale gold mining sector***[107]
- ***Step-by-step guide for developing a public health strategy for artisanal and small-scale gold mining in the context of the Minamata Convention on Mercury*, WHO**[108]
- ***Reducing mercury use in artisanal and small-scale gold mining: A practical guide***[109]

Target criminality and corruption in the gold sector

Addressing criminality in the gold trade is necessary to reduce illicit gold markets. Yet, broad, iron-fisted approaches have proven to be both ineffective and to adversely impact vulnerable populations. Consequently, there is a need for tailored responses that target key actors, financial flows and transit points in gold supply chains. In many countries, this will require increasing government capacity and coordination. Foreign governments, regional bodies and international law enforcement bodies can also support efforts to identify and prosecute key individuals, companies and financial institutions linked to or involved in the illicit gold trade.

30. STRENGTHEN ANTI-CORRUPTION AND ACCOUNTABILITY MECHANISMS IN THE GOLD SECTOR

Relevant stakeholders: Governments, partner governments, RECs, multilateral institutions, civil society

The links between ASGM and corruption in eastern and southern Africa, as well as the broader continent, are deep and inextricable. Corruption takes many forms, from petty corruption at mine sites and borders to grand corruption at the highest levels of government. Political actors may be directly profiting from illicit gold markets, misallocating funds intended to benefit ASGM, or shaping and enforcing government policies to maximize personal gain. Thus, a multi-pronged anti-corruption approach aimed at both petty corruption and high-level corruption is required. [110]

When responding to petty corruption, the broader context in which individuals operate must be considered. In some cases, police officers must choose between cooperating with violent actors or risking their lives if they try to enforce the law. Furthermore, in many states, agents are in a precarious financial position with small salaries that are often delayed or not paid at all, pushing agents to rely on payments from ASGM stakeholders for their survival. Thus, a recommended first step to addressing petty corruption is to reduce the economic insecurity of government actors tasked with enforcing the law. This is not to entirely excuse petty corruption; the actions of law enforcement and other government agents can be very predatory. Rather, petty corruption must be assessed within broader political economies, with a focus on agency and ability to enact change.[111]

More harmful, high-level and grand corruption also needs to be addressed. Technical, legal, institutional and operational countermeasures at the national and international level are needed to combat corruption involving influential political actors. International mechanisms and cooperation have been called for, such as the creation of beneficial ownership registries to prevent, prosecute and remedy grand corruption due to the failure to enforce existing laws. Civil society and the media also have an important role to play in combatting impunity by exposing corruption in the gold sector, increasing public awareness and mobilizing the public to hold government officials accountable.

Corruption is not limited to the gold sector and there are a host of tools and guidance documents available to stakeholders that can be adapted to the gold sector.

Additional resources

- ***African Anti-Corruption Platform***[112]
- ***Preventing and combating corruption as it relates to crimes that have an impact on the environment: An overview*, UNODC**[113]
- ***The UN anti-corruption toolkit*, UNODC**[114]
- ***Anti-corruption toolkit for civic activists***[115]
- ***Anti-Corruption Assessment Tool for Parliamentarians***[116]

31. TARGET ENFORCEMENT AT KEY TRANSIT POINTS

Relevant stakeholders: Governments, partner governments, RECs, multilateral institutions

Efforts to disrupt illicit gold supply chains should focus on key transit points and trade hubs. Porous land borders are difficult to police, while the geographically remote and dispersed nature of ASGM makes it a challenge to regulate mine sites. In contrast, because key terrestrial border crossings and international airports are bottlenecks in supply chains, effective policing at these key transit points will have a much greater impact on illicit gold flows. This could include increasing controls over imports of hand-carried gold.

A notable initiative is AIRCOP, a multi-agency project implemented by the United Nations Office on Drugs and Crime in partnership with INTERPOL and the World Customs Organization (WCO). AIRCOP aims to strengthen the capacities of international airports to target and intercept high-risk passengers, cargo and mail. AIRCOP also aims to facilitate communication and coordination between origin, transit and destination countries to disrupt cross-border illicit flows and criminal networks. In eastern and southern Africa, currently only Kenya and Mozambique have established or are in the process of establishing Joint Airport Interdiction Task Forces, with South Africa being an associate/observer country.[117] The WCO had also spearheaded other customs operations, including the 2019 operation TENTACLE, which targeted the smuggling of cash and other valuables, including gold. Engagement with multilateral initiatives such as these will be beneficial to targeting key transit points and increasing enforcement capacity.

Ports are also a vulnerable transit point for mercury flows. Interventions here can include training customs officers and other port officials to detect mercury and ensuring they have the appropriate tools and resources to do so. A partnership between environmental ministries and customs agents would be valuable in this regard.

Partner governments, RECs and multilateral institutions can support enforcement efforts. For example, establishing partnerships with customs agencies within the eastern and southern African region. Diplomatic efforts can also include outreach and cooperation with key trade partners to increase surveillance and regulation on gold imports. This can be done by requiring additional information from importers of gold, including the authentication of the certificates of origin or export permits and official documents, such as tax receipts in the country of export.

However, transit countries, especially those benefitting from illicit flows, may see enforcement actions as a significant investment with little to no benefit. As such, discussions withing the region will need to be part of a larger discussion around increasing regional integration and competitiveness and other points of leverage outside of the gold sector may need to be included in discussions and negotiations.

32. TARGET KEY ACTORS IN ILLICIT GOLD MARKETS AND SUPPLY CHAINS

Relevant stakeholders: Governments, multilateral institutions, media/journalists

It is necessary to target key actors, high-level individuals and companies involved in smuggling large quantities of gold to increase the efficacy and impact of law enforcement efforts and to reduce unintended negative impacts on vulnerable populations. Yet, to date, there has been limited success in prosecuting gold kingpins, with reports that high-level actors are able to act with impunity. Increased efforts and resources dedicated to identifying and prosecuting key targets in illicit gold markets are greatly needed. By providing information and support, foreign governments and international law enforcement bodies can support efforts to identify and prosecute key individuals, companies and financial institutions linked to or involved in the illicit gold trade. Addressing corruption and targeted enforcement at key transit and trade points will also be beneficial.

Identifying the financial assets and flows linked to key individuals will be critical to any response. Financial intelligence units (FIUs) will be a vital partner in these efforts, particularly to investigate beneficial ownership of companies and other entities involved in the illicit gold trade. Due to the transnational nature of gold supply chains, and the likelihood high-level actors will conduct activities and have assets in various jurisdictions, increased coordination at the regional level and with governments linked by gold supply chains will also be important to identifying and freezing or seizing financial assets.

Other ways to reduce impunity include revoking or denying the renewal of any trading or exporting licences for individuals and companies tied to the illicit trade of gold. Additionally, publishing information about de-listed individuals and companies involved in the illicit trade of gold, and sharing the information with counterparts in other countries, agencies and industry actors would be of use. The creation of a beneficial ownership database will be valuable to these efforts.

Targeted or individual sanctions are one tool to restrict the activities of criminal actors, corrupt government officials and businesses complicit in illicit trade. Sanctions that target individuals, as opposed to more blunt country or commodity sanctions, can be useful to reducing impunity, while minimizing harm to vulnerable communities. Many high-level perpetrators sell gold in legal markets and hold assets in the Global North, while Western partners, financial services and markets are frequently central to the realization of their profits. Sanctions heighten the risks and costs associated with their business. There are frameworks in place that can be utilized. For example, the relationship between natural resources and corruption is already explicitly recognized in some policy priorities of various human rights sanction regimes, including those of the UK and the US. There is also a need for enhanced coordination among countries on the implementation of targeted sanctions. When implementing countries coordinate their approaches, the impact is substantially intensified.

Investigative journalists and civil society can also be valuable partners in financial investigations.

Additional resources

- ***Best practices on beneficial ownership for legal persons*, FATF**[118]
- ***Covering the extractive industries*, Global Investigative Journalism Network**[119]

33. MAINSTREAM GOLD SUPPLY CHAIN TRAINING FOR LAW ENFORCEMENT AND CUSTOMS UNITS, IN PARALLEL WITH STRENGTHENING OVERSIGHT MECHANISMS

Relevant stakeholders: Governments, partner governments, multilateral institutions

Law enforcement and customs capacity development should include improving oversight and the ability to identify and capture illicit flows. It is commonly reported that enforcement units do not have sufficient capacity to effectively identify, capture and prosecute criminal actors and illicit gold flows. Mainstreaming training and capacity on illicit gold flows will require developing communication mechanisms and strategies between government bodies to close coordination gaps. However, law enforcement units can contribute to increased criminality, either by protecting the interests of corrupt and criminal actors or engaging in petty corruption. As such, any investments in improving the capacity of law enforcement need to be accompanied by training and effective oversight mechanisms. There also needs to be sufficient independence and protection mechanisms in place to protect individuals from retaliatory actions from high-ranking government officials who may be involved in the illicit gold trade.

One approach is the establishment of a more collaborative, community-based policing strategy. The creation of community policing forums could be beneficial for improving relations and the effectiveness of law enforcement in the ASGM sector. While this has the potential to empower miners and the local community, great care needs to be taken in understanding social and power dynamics and managing relationships. Experiences within the eastern and southern African region, as well as the wider African continent, have shown that local elites or groups can manipulate law enforcement activities for their personal gain or heighten intra-communal conflict when it takes on an ethnic or tribal dimension. As such, any community policing efforts will need to be well-informed and continually monitored.

34. STRENGTHEN EFFICACY OF FINANCIAL SECTOR REGULATION, INCLUDING INCREASED SUPPORT FOR FIUs AND ASSESSMENT OF ANTI-MONEY LAUNDERING (AML) REGIMES

Relevant stakeholders: Governments, partner governments, multilateral institutions

FIUs have the potential to play an influential role in investigating and prosecuting key actors in illicit gold markets. However, in many countries they are under-capacitated and do not have the resources or training necessary to act. As such, there is a pressing need to engage them more fully in inter-agency activity and to ensure they have the tools and skills necessary to carry out their work. This ought to include not only illicit financial flows directly linked to the movement and trade of gold, but also related money laundering activity. Trade-based money laundering is frequently referenced as a way in which gold profits are laundered. Illicit gold traders will smuggle gold out of the country and use the profits to buy goods that they then import into Africa, often using various legal entities for the transactions. It is therefore important that FIUs have the capacity and resources to conduct investigations into the beneficial ownership of companies and financial and trade transactions linked to various actors.

34. STRENGTHEN EFFICACY OF FINANCIAL SECTOR REGULATION, INCLUDING INCREASED SUPPORT FOR FIUs AND ASSESSMENT OF AML REGIMES

Relevant stakeholders: Governments, partner governments, multilateral institutions

For FIUs to be effective and empowered to tackle illicit financial flows generated by illicit gold markets, AML frameworks and assessments ought to include gold. For instance, the Financial Action Task Force (FATF) included gold in its 2020 mutual evaluation of the United Arab Emirates. The Eastern and Southern Africa Anti-Money Laundering Group could also incorporate gold into AML policies and procedures and mutual assessments.[120] Including gold in mutual assessments offers a range of benefits, including identifying vulnerabilities in gold supply chains and financial regulations, providing clear guidance on action that can be taken by states, and increasing the motivation for states to act to maintain or improve credit ratings.

However, AML restrictions and money laundering concerns have also had a chilling effect on private sector engagement with the ASGM sector. Financial institutions reported disengaging or avoiding engaging with ASGM and the associated gold trade as a de-risking measure. For example, banks have reportedly refused to engage with ASGM, especially in conflict and high-risk contexts, citing the International Finance Corporation (IFC) Performance Standards.[121] This increases the difficulty of securing access to formal financing options and drawing ASGM stakeholders, both miners and buyers, into the formal sector, increasing the sway of criminal actors and strengthening illicit gold markets.

Thus, the development and implementation of AML regulations requires striking a balance between ensuring regulations appropriately target key actors while not triggering the disengagement of private actors in the financial and gold trade sectors. Instead, private sector actors should be encouraged to adopt 'lean in' due diligence practices.[122] This is also aligned with FATF guidance, which encourages countries to move beyond a 'tick box' approach in monitoring the private sector's efforts to curb money laundering and terrorist financing, and instead adopt a risk-based approach, which is critical for maintaining or increasing financial inclusion.[123]

This will require continued monitoring and analysis of political economies, supply chains and financial flows to identify risks and to inform the development of AML policies.

Additional resources

- ***Trade-based money laundering: Trends and developments*, FATF**[124]
- ***Guidance for a risk-based approach: Supervisors*, FATF**[125]
- ***Anti-money laundering and terrorist financing measures and financial inclusion – With a supplement on customer due diligence*, FATF**[126]
- ***Implementing AML/CFT measures in the precious minerals sector: Preventing crime while increasing revenue*, IMF**[127]

Gold markets in eastern and southern Africa are dynamic and evolving. Continued monitoring of the sector is necessary to understand regional patterns and engage effectively.
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35. INCREASE INFORMATION SHARING BETWEEN GOVERNMENTS

Relevant stakeholders:Governments, partner governments, RECs, multilateral institutions

Due to the transnational nature of illicit gold markets, effective responses will require cooperation between countries linked by gold supply chains. This will require greater information sharing and coordination between law enforcement, customs, FIUs and other relevant bodies. Effective coordination also requires relevant authorities to be adequately staffed, funded and trained in source, transit and destination countries. Regional and multilateral institutions can support efforts by providing platforms for information sharing, engagement and coordination.

Prominent transit and destination countries have an important role to play in these efforts. Strengthened regulatory action in current transit and destination countries is important to shifting cost–benefit calculations and making operating in the illicit sphere more costly than working in the formal sphere. When transit and destination countries take steps to increase regulatory action, efforts should be commended and supported in partnership with continued oversight and analysis of the interventions and their impact on gold supply chains.

36. IMPROVE COORDINATION WITH PRIVATE SECTOR ACTORS

Relevant stakeholders: Governments, partner governments, private sector

There is a wide range of private sector actors who play a significant and influential role in gold markets, both licit and illicit. Private sector actors include gold traders in source, transit and destination countries, refineries, gold consumers and financial institutions. Private sector actors can either act as champions or spoilers of efforts to curb illicit markets and achieve development objectives in the sector. As such, they are an important stakeholder group to include in policy dialogues and engage with on the development and execution of policy and programme interventions, including securing gold supply chains and reducing illicit financial flows. Yet, the priorities of private sector actors may not always align with those of host governments or development actors. Short-term efforts to secure supply chains versus building a more inclusive sector may conflict with each other. As such, relationships will need to be handled diplomatically, with stakeholders open about their priority objectives to facilitate the most productive relationships and outcomes for those involved.

Additional resources

- ***Private sector information sharing*, FATF**[128]

37. ADOPT MORE STRINGENT DUE DILIGENCE PRACTICES FOR RECYCLED GOLD

Relevant stakeholders: Industry bodies, private sector, governments, partner governments

It has been well documented, including in the study of illicit gold markets in eastern and southern Africa, that gold is often laundered through a select number of transit hubs and sold on as scrap or recycled gold. As such, there are risks to sourcing recycled gold, and it is not necessarily a more responsible sourcing practice than buying direct from source countries. Reflecting this risk, industry due diligence requirements are becoming more stringent and providing guidance on how to manage recycled gold risks in supply chains. In 2021, the LBMA launched the 'Responsible gold guidance' (Version 9) and a due diligence checklist for recyclable material. Private sector actors can use this guidance and other sources to recognize and address risks in their supply chains, while responsibly sourcing from ASGM. Also, governments (of source, transit and destination states) should work to strengthen regulatory frameworks to address risks related to gold laundering and recycled gold, capacitate enforcement actors, and support ASGM stakeholders in meeting regulatory requirements and engaging in formal supply chains.

Additional resources

- ***Responsible gold guidance – Version 9*, LBMA**[129]
- ***Due diligence checklist: Recycled material*, LBMA**[130]

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ABOUT THE GLOBAL INITIATIVE

The Global Initiative Against Transnational Organized Crime is a global network with over 600 Network Experts around the world. The Global Initiative provides a platform to promote greater debate and innovative approaches as the building blocks to an inclusive global strategy against organized crime.

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