

Responsible Gold Innovation Fund (RGIF) - Concept Paper

1. Program Approach Overview

Responsible Gold Innovation Fund (RGIF)

Global Communities is currently implementing the USAID Zahabu Safi (Clean Gold) Project, an artisanal mining and responsible trade initiative funded by the United States Agency for International Development (USAID).

Despite recent successes achieved by donor-funded initiatives to export responsibly-produced gold to international buyers in North America and Europe, volumes remain minimal. The RGIF aims to incentivize investment in new supply chain investment models for responsible gold originating from DRC and pilot new approaches to overcome specific identified barriers in scaling the export of responsible artisanal gold from the country.

The engagement and co-investment of downstream actors in the gold supply chain is critical to the overall success of this project and the sustainability and scalability of responsible trade from and production by Artisanal and Small Mining (ASM) cooperatives working within the supply chain.

Furthermore the [USAID Zahabu Safi market study](#) carried out by Levin Sources has identified a number of barriers to the scaled export of responsible artisanal gold throughout the value chain.

Recognising catalytic grants, private sector partnerships and strategic investments can all play a role in creating a sustainable value chain, USAID Zahabu Safi is establishing a \$1 million Responsible Gold Innovation Fund (RGIF).

The Fund will be used as a tool to incentivize the private sector to invest in new supply chain investment models for responsible gold originating from DRC and pilot new approaches to overcome specific identified barriers in scaling the export of responsible artisanal gold from the country. As a USAID funded initiative, the RGIF will be subject to the same laws and restrictions on scope and use cases of funding as all USAID initiatives.

2. RGIF Funding Approach

It is recommended that the RGIF is intentionally operated as a flexible structure which is able to nimbly respond to a range of opportunities identified across the value chain in DRC to unlock barriers to market access for responsible gold.

Geographic Scope:

In order to both support USAID Zahabu Safi's project approach and create opportunities in areas that may become project focus areas at a later date, it is recommended that the RGIF should not be solely restricted to operating at ASM sites identified by the project and retain the flexibility to deploy funds at other ASM project sites on an opportunistic basis with a priority on supporting mature ASM gold projects in Eastern DRC. Similarly, the RGIF will develop partnerships with stakeholders across DRC and international downstream value chains. This may include opportunities for the RGIF to co-fund responsible gold supply chains that exist in neighbouring countries if there is clear evidence of their upstream impact on ASM gold in DRC and / or offer the potential for replication within DRC during the project lifespan.

Range of Financial Instruments:

Grants: predominantly small grants which will typically be used to stimulate efforts amongst individual miners and cooperatives to formalise, improve productivity and adopt mercury-free practices. Larger grants could be considered if considered to be particularly catalytic in nature.

Cost Share: use of grant funding in partnership with value chain actors to subsidise the costs of products or services in order to reduce barriers to uptake or to amplify the scale of the planned intervention.

Debt Co-investment: Use of grants from RGIF but structured as an investment via a partner financial institution or investor. Typically structured as an investment into a revolving fund or line of credit managed by a financial institution which would then on-lend to ASM miners and cooperatives either for their asset financing needs (equipment, tools) or as pre-financing working capital. This type of facility can serve to overcome the stringent collateral requirements that most financial institutions require and build confidence and experience amongst the financial institution partners in providing finance for ASM which then becomes a core part of their business going forward. This revolving facility would continue to operate throughout the life cycle of the project and potentially beyond as an instrument for financing ASM needs. All profit generated from these investments would be reinvested back into the financing vehicle to increase the pool of funding available to the end clients.

- a. Pari Passu - equal risk and return taken by both the RGIF and the partner financier
- b. First loss - RGIF funds serve as junior to the co-investor serving to de-risk the latter's involvement in the venture.

Equity: Use of grants from RGIF to take a full or partial ownership stake in an existing or new company which would be carrying out activities that are addressing an essential gap in the artisanal gold value chain. RGIF will reinvest any profit on the investment back into the company. RGIF would have a governance role in their companies (full board seat or board observer seat depending on the

size of the RGIF's stake. It is intended that these companies serve as a legacy of the project and contribute to permanent infrastructure in a commercially viable responsible gold value chain in DRC.

Guarantees: Use of grants from RGIF as a partial guarantee to re-disk the engagement of an investor into a value chain. Typically such a guarantee instrument would be provided to financial institution partners structured as partial portfolio guarantees. This instrument provides credit risk coverage to a financial institution on a loan by loan basis to underlying MSME clients up to an agreed percentage share of losses, for the creation of a portfolio of new loans to MSMEs up to an agreed total amount. Guarantee instruments could also be structured for individual investors.

Artisanal Gold Value Chain Actors

Individual Artisanal Gold Miners, ASM Cooperatives, LSM sourcing from ASM, Local Traders (négociants), Large Traders, Comptoirs/Exporters, Exporters, Logistics/transport, Refiners, End user.

Other Key Actors

International NGOS, Congolese NGOS, Due Diligence and Traceability Service Providers, Local, Regional and National Government bodies, bilateral donor agencies, development finance institutions.

Use cases for RGIF financial instruments across the ASM gold value chain:

ASM Miners and Cooperatives

1. Grants for **mining and mineral processing equipment** to optimise production including adopting mercury free processes, assay, PPE, energy infrastructure such as solar panels or mini-grids etc - (For more mature cooperatives this could be offered on a cost share basis and then through lease to own financing over time)
2. Grants to **access business legalisation and formalisation services** including support to comply with the CRAFT code, health and safety, cover licencing and insurance costs etc (For more mature cooperatives this could be offered on a cost share basis and then fully paid for over time).
3. Grants to **access business development services** including support to financial literacy, bookkeeping, management training, human resources and investment readiness including business plan development (For more mature cooperatives this could be offered on a cost share basis and then fully paid for over time). Business development services may also be offered in partnership with access to finance initiatives to ensure sufficient demand and efficient allocation of services.
4. Grants to cover the costs of access to **geological data of their mine sites** which can serve as a form of collateral when seeking finance from financial institutions.
5. Cost Share grants with cooperatives to support investment in **local community infrastructure** - WASH, healthcare, education as an incentive to formalise ASM, shared infrastructure that provides both benefits to the programme and community such as telecommunications masts, solar energy mini-grids etc. [Asili](#) offers an example of this donor-civil society co-funded model in Eastern Congo for developing community infrastructure.
6. Co-financing Facility with VSLAs, SHAs and /or grants for the **provision of training** in, e.g. financial literacy, formalisation, improved production methods, cleaner production, frugal rehabilitation, etc.
7. Co-financing Facility with Financial Institutions (Banks/microfinance institutions) to provide a **revolving fund or line of credit** managed by a financial institution which would then on-lend

- to individual miners, ASM cooperatives, négociants etc. for their asset financing needs (equipment, tools) or as pre-financing working capital either as pari passu or on a first loss basis. RGIF could potentially serve as junior investors to crowd in DFIs and impact investors.
8. **Partial portfolio Guarantee to de-risk Financial Institutions** launching any planned **revolving line of finance** for ASM value chain actors (individual miners, ASM cooperatives, négociants). RGIF could potentially serve as a co-guarantor alongside a DFI and use its own and/or co-guarantee to crowd in impact investors.
 9. **Grant funded TA to microfinance institutions and VSLAs to build knowledge of the ASM sector and develop underwriting methodologies** (same model as the PPA support to TMB but expanded to other financial institutions. Should include access to geological data).
 10. **Buying fund** which would pre-finance directly from ASM cooperatives - This model will need to be operated in partnership with either an exporter or financial institution partner. RGIF co-investment structured as a first loss tranche or a grant-based guarantee position could serve to de-risk third party investors such as DFIs and private investors joining the facility.
 11. Grants to fund a **communication and outreach campaign** targeted at ASM to promote the value of formalisation through the USAID Zahabu Safi project. Such a business case should focus on promoting the financial (better efficiencies, greater incomes, savings, insurance) and social (safer production) business of working through the project. Such a campaign would need to be developed in partnership with local civil society organisations and media (TV and radio).
 12. Grants to fund a **communications and outreach campaign** targeted at the **downstream** market to demystify responsible gold production and trade from ASM in DRC.
 13. Grants to monitor internal development and cohesion of ASM Coops to ensure funds are used responsibly and according to RGIF's operational rules. E.g Cooperative Performance Index (CPI).

Medium Sized and Large Scale Mines

- a. **Structured linkages programme between ASM Cooperatives and M/LSMs** via cost-sharing or co-financing engagements to provide formalisation, business development and social support (health, education, WASH) to ASM that have relocated from M/LSM concessions.
- b. **Co-financing Facility** with Individual MSM/LSM sites to support pre-financing of ASM Cooperatives.
- c. **Bridge Finance Facility** to support export and refining of responsible gold.

Local Traders (Négociants) and Large Traders

- a. **Co-financing Facility with Financial Institutions** (Banks / microfinance institutions) to provide a revolving fund or line of credit managed by a financial institution which would then on-lend to individual miners, ASM cooperatives, négociants etc for their asset financing needs (equipment, tools) or as pre-financing working capital either as parri passu or on a first loss basis.
- b. **Partial portfolio Guarantee to de-risk Financial Institutions** launching any planned revolving line of finance for ASM value chain actors (individual miners, ASM cooperatives, négociants).
- c. **Bridge Finance Facility** to support export and refining of responsible gold for large traders.
- d. **Cost sharing of traceability and due diligence**, acknowledging that a traceability system that has complete information on the source and destination of gold produced under the project may be incompatible with the current supply chain of traders and négociants and unaffordable by local traders. Traders could also be hired by exporters to legally supply gold

or conduct traceability as long as effective monitoring/screening processes are in place to detect informal trading activity.

- e. Grant based inducements to traders to transition to formal/licit activity, taking into account that disruptive supply chains may result in disgruntled traders losing their livelihood.

Exporters (Comptoirs)

- a. **Co-finance of Bridge Finance Facility** to support export and refining of responsible gold
- b. Cost sharing of traceability and due diligence costs.
- c. **Marketing and Communications** - building a narrative about the miners and the impact story of ASM gold to **derisk the reputational costs** of sourcing gold from DRC.
- d. Equity investment and grant based technical assistance to support **exporters transform into an internationally recognised intermediary** who can facilitate the sale of legitimate ASM gold from DRC to buyers. (Anexpo - Valcambi model with Colombian ASM gold)
- e. **Guarantee provision to de-risk pre-financing** by exporters.

Refiners and End users (OEM, Jewellers)

- i. Cost share of supply chain investment **impact measurement and reporting services**
- ii. Cost sharing of **traceability and due diligence** costs – there will need to be clear differentiation with the USAID Zahabu Safi project sub awards to Better Chain and RCS to ensure the additionally of any RGIF support.
- iii. Other forms of support to reduce the **reputational of risk of engagement** in DRC gold from OEM and Jewellers - co-financing of impact measurement, or of community development projects.
- iii. **Marketing and Communications** - building a narrative about the miners and the impact story of ASM gold to **derisk the reputational costs** of sourcing gold from DRC.
- iv. **Brand Building** - Build a **partnership with a premium jeweller to co-invest or cost share into a brand building exercise** to strengthen an existing (e.g. PeaceGold) or create a new brand for ASM gold from the DRC.

Other Value Chain Interventions

- i. **Capacity Building of Congolese NGOs to support downstream due diligence needs** - Grants to Congolese NGOs to build their capability to conduct due diligence, operate traceability services, impact measurement and communication and marketing with the objective of them being hired by downstream actors reducing DD costs.
- ii. **Impact Communications** (downstream facing) - grant support to an international cause related marketing campaign to raise the visibility of responsible gold from the DRC with the objective of attracting interest in USAID Zahabu Safi and co-financing partners for the RGIF. <http://wcpog.co/home-page> as an example.
- iii. **Impact Communications** upstream facing) - Grants to fund a communication and outreach campaign targeted at ASM to promote the value of formalisation through the project.
- iv. **Due Diligence, traceability** – Can the RGIF be used to create a stronger due diligence infrastructure – 5 stages of OECD due diligence. If a site has partially completed its readiness work then could the RGIF cost-share its completion?
- v. **Strategic Value Chain investments:** equity investments into a set of strategic investments that create new or back existing social enterprises that can serve to fulfil long term commercially sustainable solutions to gaps / failures in the

responsible gold value chain. These investments would serve as a sustainable legacy for the USAID ZAHABU SAFI (CLEAN GOLD) project. Co-investors would be sought for these investments including DFIs and LSMs and downstream actors.

1. **ASM business development services provider** - investment to support the market entry of a commercially structured ASM BDS provider who will provide free services migrating to fully commercial over time. Fairmined El Choco project is a strong example of this. This BDS provider could be the Global Communities DRC themselves or an identified third party.
 2. **Gold buying house** - investment in a secure bonded facility close to ASM hubs where miners and cooperatives can sell based on transparent pricing and gold is held securely until sufficiently aggregated for buyers to then purchase.
 3. **Transport/logistics service** - investment into a secure transportation service that ensures end to end delivery from mining site to buying house and buying house to exporter. This intervention may not be needed if large international secure transportation companies such as G4S or Brinks already operate in Eastern DRC. If so the opportunity may lay in determining how close to the last mine they go and whether there are incentives (on the basis of a cost share) RGIF can provide to get them to come to the mine.
 4. Creation of an **internationally recognised intermediary** - equity investment and grant based technical assistance to support an established exporter or large trader transform into an internationally recognised intermediary who can facilitate the sale of legitimate ASM gold from DRC to buyers. (Anexo - Valcambi model with Colombian ASM gold).
- vi. **Government engagement** - The USAID Zahabu Safi project plans to engage with the GoDRC on a range of issues where they can align with the project approach and encourage systems level change that supports the mission. These include reducing and regularising the taxes imposed by local and central governments on gold production and export, which are key barriers to increasing the export of legitimate gold. There could be scope for the RGIF to cover the gap in income of GoDRC from their current taxes on exports until they build up additional legitimate flows making tax revenues up to the previous levels or beyond.

A range of sample partnership opportunities for RGIF identified during the preparation of this report can be found in Annex 2.

3. Governance and Operational Structure for the RGIF

Fund Ownership

The RGIF structure should be considered on the basis of the USAID Zahabu Safi's project mission - a commitment to support the strengthening of a long-term sustainable and scalable export value chain for responsible gold from the DRC.

As such, key criteria for success of the RGIF is that it becomes a **permanent feature** of the responsible gold export value chain in DRC beyond the life of the project and that it **fully engages all key stakeholders** in DRC gold sector including having representation from them in its governance.

Given this mandate the ownership structure of the fund needs to allow it to continue to operate on rolling basis and until its management or key donor (USAID) determines that it is in the best interest of the funds mission/objectives that it look to close the fund.

This concept of longevity is important in the context of the investment portion of the RGIFs planned funding activities. Revolving debt facilities and equity investments in emerging markets are by **nature 'patient' investments which often need time to have their intended effect** whether that be directly or through adoption effect.

A starting suggestion as the most suitable ownership structure for such a mission fund is a simple **not for profit ownership structure** such as a charitable trust or foundation that acts as the sole shareholder of the RGIF, and whose primary responsibility is to ensure that the RGIF continues to serve its mission.

Given USAID's stated ambition for the **fund to scale** (though a combination of private funder commitments and potential additional USG support) the RGIF structure should be designed to support the **inclusion of new shareholders** who bring their own funding / resources as well as having the ability to **absorb pass through funding** which stakeholders are willing for the fund to manage on their behalf.

The fund organizational documents would therefore by intent embed mission (such as adopting the B Corp status) so that any new shareholders cannot alter or dilute the fund's original mandate.

Fund Governance

In order to ensure credibility and buy-in including creating suitable incentives for co-investment there is a need to ensure participation of key international and national stakeholders involved in the responsible gold value chain.

It is suggested that this need to ensure inclusivity is captured through a broad-based advisory board for the RGIF. This however should be off-set by a small governing board designed for efficient decision making, who will be held accountable to USAID through board representation and periodic review processes. Environmental and social impact, project alignment and financial due diligence review should be conducted in an integrated decision process between the two boards, with opportunities subdivided by project team 'window' sub-committee experience.

Fund Management

The fund should be managed by a small agile project team with experience in innovative finance and emerging market investing that can share and build the expertise from this project, and plan and use each investment to fit together, feed the funds' collective knowledge of the system, investors, outcomes etc.

Fund Operation

It is proposed that RGIF have a number of "windows" through which it can engage across the entire DRC gold value chain with a variety of stakeholders through a broad range of financial instruments.

- a. **Catalytic Grants Window** - Predominantly focused on provision of **small grants** to cooperatives and INGOs but will also include the deployment of **larger strategic grants to stakeholders** down the value chain including **guarantees and cost sharing** commitments.
- b. **Investment Window** - Grants used to **finance or co-finance a revolving loan facility via a partner financial institution** or in partnership with a **co-investor** on either a pari passu or first loss basis. **Equity positions** into a set of strategic investments that create new or back existing social enterprises that can serve to fulfil long term commercially sustainable solutions to gaps / failures in the responsible gold value chain.
- c. **Corporate Partnerships Window** - identification of partnering opportunities with M/LSM operating in DRC who have CSR or Community Development funds in place to support responsible gold ASM operations and market linkages and downstream actor funding opportunities such as corporate foundations or CSR programmes of Refiners, OEM and Jewellery companies either individually or via industry coalitions such as the PPA.

4. Co-Finance Approach

The USAID Zahabu Safi Project has committed to source \$4 million of leverage (“co-investment”) into the DRC’s responsible gold supply chains over the life of the project. The RGIF can play a key role in building relationships and creating mechanisms to ‘crowd in’ investment from value chain actors and private sector organisations to promote responsible gold operations that are financially sustainable over the long term.

Promoting responsible supply chains of ASM gold from DRC can set the stage for long-term engagement by various actors, including co-investment along the supply chain. The RGIF approach to private sector engagement will be highly iterative and will focus on opportunities across the value chain. Under the terms of the Global Communities’ cooperative agreement with USAID, co-investment is defined as project leverage, which may be composed of both in-kind and cash investments into project support activities.

As such, cash contributions (grants, debt and equity) as well as in-kind and material contributions such as staff time and equipment and other infrastructure investments by the private sector into the supply chains, supply chain actors supported by the project or into mining communities are all considered as eligible co-finance.

Sources of leverage can either be from relevant stakeholders in the investment ecosystem or downstream supply chain actors where there is the opportunity to create upstream-downstream linkages. Investment stakeholders may include interested local financial institutions and international investors that are aligned thematically and in risk appetite, whereas target downstream supply chain actors will be those that will benefit from the creation of a responsible gold ASM supply chain in DRC and may be willing to support this with capital commitments, including medium and large scale mines, exporters, refiners and end buyers such as jewelry designers, SMEs and the foundations of manufacturers, jewelers and technology companies.

Leveraging Co-Finance from the Investment Ecosystem

Local Financial Institutions - Banks, Microfinance Institutions, Fintechs, Village Savings and Loans Associations (VSLAs)

Opportunity: Financial institutions that have a regional presence in Eastern DRC, such as Trust Merchant Bank, Equity Bank and FINCA Microfinance, have both strong capacity to lend to rural clients and incentives to grow their client base in hard to reach areas, given that only 10% of people in DRC have a formal bank account. As earlier opinions on structural financing transformations for ASM gold trading in Eastern DRC have found, financial due diligence for lending procedures can also make a valuable contribution to the overall project's traceability efforts. Capital that facilitates lending from local financial institutions to ASM communities, such as the TMB pilot profiled above, in the form of portfolio guarantees, risk sharing facilities and TA grants, would represent strong opportunities for co-financing. Leverage ratios on well structured guarantee programmes are particularly high. Similarly, partnerships between local financial institutions to pool portfolio risks and scale up pilot lending programmes could also help the RGIF achieve co-financing objectives

Target investor profile: Trust Merchant Bank (See Annex 2)

Similar investors: Equity Bank, Finca Microfinance, other local and international MFIs including Vision Fund, Opportunity International. Other Congolese and regional commercial and private banks.

DFIs, Impact Funds, Impact Investors, Foundations and Family Offices

Opportunity: While there is widespread perception of responsible ASM as a high risk, nascent sector investors that are more likely to deploy capital in this environment are innovators, first movers and those that are thematically aligned with the program's impact mission. Investors may also be attracted by the opportunity to test and prove out an innovative finance mechanism if they believe it has scalability or replicability, or helps to mitigate risk. The RGIF should seek to create an engagement framework for investors which de-risks core investor concerns about ASM gold investments – lack of project management and execution support, perception and reputational risk and environmental, social and governance risk. Both international thematically aligned investors should be targeted but also Development Finance Institutions and Impact Funds who are already operating in DRC such as US DFC and XSML Capital.

Target investor profile: *Ceniarth Family Office*, who manage a \$500m impact investment portfolio aim to build a values-aligned investment strategy that generates deep impact in providing measurable benefits for underserved communities while preserving assets for the next generation. Ceniarth have deep experience in supporting rural, low income livelihoods through agriculture and productive financial services such as consumer finance for SMEs or individuals. They recognise that ASM is the second largest rural employer after agriculture in Africa. They are in the process of a pilot investment via the Impact Facility for ASM gold communities in East Africa. The pilot provides debt finance for productive equipment such as water pumps and processing equipment alongside grant finance support provided by the Impact Facility. The RGIF is aligned with their investment interests, risk appetite and preference to invest via an intermediary, while TIF's work has similar aspects to the RGIF's mission.

Similar investors: Humanity United, Kimura Capital, Impact X Partners, Credit Suisse, Chambers

Federation, XSMML Capital, SIDA, DIFD, US Development Finance Corporation, FMO, KFW etc.

Leveraging Co-Finance from Supply Chain actors to create Upstream - Downstream Linkages

Medium and Large Scale Mines (MSMs, LSMs)

Opportunity: LSMs often devote a proportion of their revenue to community investment and other highly targeted and visible CSR initiatives to ensure they have a 'social licence to operate' with the local community. As described in the Barrick/Kibali mine project profile in Annex 2, some mines in Eastern DRC are recognising that establishing links with local ASM miners and cooperatives can achieve this while increasing the LSMs capacity to mine gold. The RGIF should explore opportunities to leverage the CSR Leveraging CSR/community social investment budgets of M/LSM to cost share the implementation of ASM-LSM linkage services and mining community development projects (education, health, WASH etc) out of the 68 gold related mining and exploration contracts currently permitted by the DRC government. Beyond cash (grant and investment) co-investment opportunities leverage potential exists through the provision of in-kind and material contributions such as staff time and equipment and other infrastructure investments such as the provision of water and power to mining communities.

Target investor profile: Barrick/Kilbali, WBK Investments

Similar investors: <https://www.mines-rdc.cd/resourcecontracts/> LSM-ASM projects in Ghana, Newmont Mining Inc. Community Development approach, Ghana.

Exporters, Refiners

Opportunity: Through stakeholder interviews a couple of DRC responsible gold actors have expressed interested in partnering with the RGIF to support them to become established international intermediaries in the DRC responsible gold sector through cost sharing, co-investment and technical assistance support. This are Fair Congo and WBK Investments. Both these entities and as well as other exporters in DRC offer significant opportunities for project leverage.

Refiners have demonstrated clear demand access responsibly sourced gold supply chains, and many invest in their own supply chain due diligence structures, including ASM sources where possible. Clearly, refiners stand to gain reputational and financial benefit from access to a watertight due diligence from DRC and may be willing to provide co-investment, in-kind logistical support and technical assistance to the project. Similarly, other mid and downstream supply chain actors that stand to gain from increased responsible gold production in DRC may be willing to commit resources and expertise to co-finance initiatives. There is strong precedent for such a partnership set by refiner Valcambi's support to a Better Gold Initiative in Colombia, alongside Swiss Better Gold Association (SBGA), the Swiss State Secretariat for Economic Affairs (SECO), the Colombian International Gold Trader Anexpo, Colombian NGO Atabaque and luxury watch and jewellery Maison Chopard. The project conducted strict due diligence of miners who sold gold directly to the supply chain partners in return for an SBGA Better Gold Incentive of 0.70 USD per gram for them to reinvest into improving their living and working conditions. In addition, this value chain allows them to know the exact destination of their gold.

Target investor profile: Fair Congo and other exporters/ larger traders/ M/SLMs (WBK Investments) who have expressed interest in becoming established international intermediaries in the DRC

responsible gold sector. See Levin Sources refiner interviews

Similar investors: Exporter: Anexpo, Refiner: Valcambi

End Buyers – Jewellery SMEs/Designers

Opportunity: End buyers such as bespoke jewellery designers, SMEs and organisations that retail fairmined and fairtrade gold products have demonstrated a willingness to purchase responsible gold that costs up to and above a 10% premium driven by increased consumer demand for ethically sourced jewellery and other products. These organisations may be willing to pool funds and co-finance projects that are likely to reduce the long term purchase price of gold to near market rates in the future if a strong business case exists. Jewellers who cannot source directly from DRC who wish to 'offset' business as usual by donating to the ASM cause in DRC through support to beneficiaries are also targets for co-investment. RGIF should work closely with Levin Sources as it works to develop its responsible buying platform that targets the bespoke ethical jewellery sector.

Target investor profile: Jewellery SMEs, Jewellery Designers

Similar investors: Hoover & Strong is partnering with Fair Congo on sourcing of DRC responsible gold.

End Buyers: OEM, Major Jewellery Companies and Corporate Foundations

Opportunity: In the wake of multiple investigations and lawsuits focussing on the human rights abuses in their supply chains, global technology and jewellery manufacturing leaders are increasingly adopting responsible sourcing standards through initiatives such as the Public-Private Alliance for Responsible Minerals Trade (PPA). Downstream partners include Google, Apple, Intel, automotive manufacturers and large Jewellers such as Signet. While much of their efforts focusses on responsible mineral sourcing in general (Cobalt and tin, tantalum, and tungsten), all these corporates stand to gain huge value from the establishment of a financially sustainable responsible gold supply chain in the DRC. As such, the foundations of these corporate leaders may be willing to provide grant capital, or mission aligned investment including co-finance investment into ASM training, capability building, financing and equipment provision as well as a strategic infrastructure, and LSM-ASM and export linkage programmes.

There is the opportunity to pool funds from multiple downstream corporates for at least three purposes:

- To subsidise upstream market development for solutions to the barriers that prevent them sourcing gold from DRC.
- To match fund project grants to deepen or widen the support USAID Zahabu Safi /RGIF is giving to market actors in DRC to help develop their viability to produce responsible gold at scale.
- To invest in supply chain partners as entities or in their specific programmes that help deliver on the sustainability and scalability of the project's objectives

Target investor profile: Google, Intel, Apple

Similar investors: BMW Foundation, Cartier Foundation, De Beers Foundation, Tiffany Foundation.

Reducing risk through innovative finance mechanisms

Actors across the impact investment spectrum have traditionally exercised caution around ASM investment opportunities due to perceived risks. Deployment of capital in a way that mitigates risk and proves concepts to improve risk perception is therefore likely to be catalytic.

Impact investors are beginning to prove out a range of innovative finance mechanisms that are

designed to reduce risk in the financing of development projects and nascent impact investment sectors. Innovest Advisory is actively engaged in designing and implementing a number of these with investor partners. Specifically, mechanisms aim to reduce the risk that financed projects do not achieve impact aims, by setting performance dependent (re)payment that drive accountability and efficiently focus operations toward achieving defined impact targets. For the RGIF, the fact that impact is 'baked in' to the core financing approach is particularly appealing to catalytic funders and 'impact first' investors. The range of innovative finance mechanisms that RGIF may consider using to deploy capital in a co-finance partnership include:

- **Development Impact Bonds:** A results-based investment instrument that makes repayment to the investor conditional on hitting social progress targets measured by agreed key outcomes, allowing for a flexible delivery method that encourages innovation.
RGIF Use Cases: Grants and finance provided to ASM cooperatives
- **Social Impact Incentives:** A form of impact linked finance for social that prioritises incentivising impact through a premium payment to social enterprises if they achieve social outcomes.
RGIF Use Cases: Cost share for strategic infrastructure building
- **Impact Linked Interest Loans:** A loan that ties the rate of interest to pre-defined impact performance metrics, where the borrower gets a rebate on its interest payment if there is evidence of impact exceeding stated targets.
RGIF Use Cases: Any clearly defined co-finance investment where impact is measurable.
- **Social Success Notes:** A pay-for-performance financing solution similar to a development impact bond, but in this case outcome payment is split between investor and service provider/social enterprise.
RGIF Use Cases: Any clearly defined co-finance investment where impact is measurable.