

August 2020



CVCFG/ZAHABU SAFI SITE SELECTION PROCESS – EXPLANATORY NOTE

EXECUTIVE SUMMARY

The USAID-funded Commercially Viable Conflict-Free Gold Project (CVCFG), also known locally as the “Zahabu Safi” project is a five-year, economic growth initiative, implemented in the Democratic Republic of the Congo (DRC), which builds on recent successes achieved by donor-funded initiatives to export responsibly-produced gold to jewelry buyers in North America and Europe at scale.

Implemented by Global Communities (US) in partnership with Levin Sources (UK), CVCFG brings unique qualifications and expertise to address the challenges, as well as take advantage of the opportunities within the artisanal gold supply chain.

Zahabu Safi has developed a robust, multi-phased site selection process that documents and provides an objective evidence base for how and why decisions are taken to invest project resources in certain sites and cooperatives through the CVCFG program. It builds on accumulated experience from previous responsible ASM production and sourcing programs in the DRC.

The site selection process is broken down into three sequential phases:

- **Phase 1: High-level Site Screening**

In recognition of the existing data available on artisanal and small-scale gold mining sites in DRC – the result of historic and ongoing efforts of public, private and civil society actors – the site selection process started with an initial desk-based review of publicly available data of sites in North and South Kivu, Maniema and Ituri. Based on this data, a longlist of sites was developed accounting for sites’ potential to be integrated into programme activities. This assessment was based on a variety of factors, notably: conflict and security, legal status, human rights and production / accessibility.

- **Phase 2: Site and Market Systems Evaluations**

Recognizing the need to update datasets held on the longlist of sites, as well as the shortcomings of basing program investment decisions on existing, limited datasets, the consortium undertakes site and market systems evaluations at longlisted sites led by program due diligence and traceability partners: RCS Global and BetterChain.

- **Phase 3: Scoring and Selection**

Phase Three of the site selection process is broken down into two components: (a) scoring the performance of the sites and the cooperatives working on them in accordance with pre-determined, objective scoring criteria using a **Site Selection Scorecard**, and (b) selecting sites for integration into the project by way of a **Site Selection Concurrence Meeting**.

INTRODUCTION

Artisanal and Small-scale Mining (ASM) is a significant driver of DRC's economy with many communities in the eastern part of the country relying on the ASM sector for their livelihoods. While a variety of national, regional, and international regulations have been put in place to address the illegal trade of conflict minerals, over 80% of ASM gold produced in DRC is exported illicitly. Gold, in particular, continues to fuel conflict in eastern DRC.

The USAID-funded Commercially Viable Conflict-Free Gold Project (CVCFG), also known locally as the “Zahabu Safi” project is a five-year, economic growth initiative, implemented in the Democratic Republic of the Congo (DRC), which builds on recent successes achieved by donor-funded initiatives to export responsibly-produced gold to jewelry buyers in North America and Europe at scale.

Implemented by Global Communities (US) in partnership with Levin Sources (UK), CVCFG brings unique qualifications and expertise to address the challenges, as well as take advantage of the opportunities within the artisanal gold supply chain.

The ASM gold supply chain is beset with challenges both within the upstream and downstream sectors and relies on donor resources to address persistent weaknesses in the chain. Zahabu Safi will adopt a market systems approach to push the supply chain towards sustainability and scale by:

1. **Increasing demand for and co-investment in responsibly-sourced ASM gold from eastern DRC.** CVCFG will carry out activities to increase the reputation, visibility and availability of responsibly-sourced gold from eastern DRC that meets International Conference of the Great Lakes Region (ICGLR) and the Organization of Economic Cooperation and Development (OECD) due diligence requirements for responsible minerals supply chains;
2. **Increasing the volume of exports of responsibly-sourced ASM gold from eastern DRC** by strengthening the capacity of upstream and midstream supply chain actors to adhere to responsible supply chain traceability activities and comply with OECD due diligence guidance; and
3. **Improving the commercial viability of ASM gold cooperatives** through targeted and participatory training to ensure profitability and longevity through responsible market linkages, improved membership management and good governance structures put in place to promote positive impacts on ASM communities.

SITE SELECTION

The process for selecting where we will invest initial project resources to promote and facilitate responsible sourcing is extremely important, as it has implications for the project's ability to “do no harm”, nor cause or contribute to conflict, as well as meet strict international buyer due diligence and sourcing compliance requirements. For these reasons, **Zahabu Safi has developed a robust, multi-phased site selection process that documents and provides an objective evidence base for how and why decisions are taken to invest project resources in certain sites and cooperatives into the CVCFG program.** It builds on accumulated experience from previous responsible ASM production and sourcing programs in the DRC.

This note outlines the site selection process, providing details of the key steps and supporting documentation that will be available to project stakeholders to substantiate site selection decisions. **This is an essential part of project due diligence and risk mitigation.** It will further provide a baseline against which some elements of cooperative performance can be assessed and impact of the

project's engagement evaluated. It will also be a key tool for engaging and reassuring potential buyers of gold supported by the project.

The site selection process is broken down into three sequential phases:

- **Phase 1:** High-level Site Screening
- **Phase 2:** Site and Market Systems Evaluations
- **Phase 3:** Scoring and Selection

Phase I of the process was launched in Q1 of Year 2 of the CVCFG project, with initial site screening visits commencing in Q2. As an output of Phase 3, the process will conclude with the selection of an initial quorum of sites by the end of Q4 of Year 2.

Following this initial site selection, the project will evaluate potential sites on an ongoing basis, following the sequence of activities conducted in Phases 1-3. This will serve the purpose of (a) supplementing initial project sites given the desire to scale the project activities in Years 3-5 and / or (b) providing alternative sites to replace existing project sites should they fail to demonstrate the significant and measurable progress required to meet buyer demands.

Once selected, ongoing work at sites will include:

- A political economy assessment of the areas around the sites, providing a baseline for the project, which will be updated on a 6-month basis.
- Ongoing cooperative capacity strengthening to improve their business operations and governance.
- Ongoing site monitoring led by due diligence and traceability support partners, which will provide information against agreed performance indicators.

Phases 1-3 of the site selection process are outlined in more detail below.

PHASE ONE: HIGH-LEVEL SITE SCREENING

In recognition of the existing data available on artisanal and small-scale gold mining sites in DRC – the result of historic and ongoing efforts of public, private and civil society actors – the site selection process started with an initial desk-based review of publicly available data of sites in North and South Kivu, Maniema and Ituri. Based on this data, a longlist of sites was developed accounting for sites' potential to be integrated into programme activities. This assessment was based on a variety of factors, notably: conflict and security, legal status, human rights and production / accessibility.

The primary reference material for the initial screening came from ongoing mine site mapping efforts conducted by International Peace Information Service (IPIS), as well as an assessment of sites that was conducted by IPIS at the end of the USAID funded CBRMT project in 2018¹. Attention was also paid to identifying sites in the proximity of USAID's "strategic investment hubs" which are part of its ongoing strategy for engagement in eastern DRC. These hubs are often within the orbit of "anchor institutions"² – including industrial mines - and USAID aims to leverage these institutions to build economic prosperity, security and stability. Evaluation of this data gave rise to a longlist of

¹ USAID. (Nov 2018) CAPACITY BUILDING FOR A RESPONSIBLE MINERALS TRADE (CBRMT). Evaluation of Potential Responsible Artisanal Mine Site Hubs: South Kivu.

² "Anchor Institutions" are defined by USAID/DRC as entities in the DRC whose governance structures, established infrastructure, and security resources can facilitate access to neighboring communities. Throughout recent history in the DRC, anchor institutions have emerged as the engine for service delivery and economic growth in communities. Anchor institutions have included : colonial administrative outposts, religious institutions (schools, health clinics, places of worship), and parastatal companies (mining companies and palm oil plantations).

approximately 25 sites that were assessed as holding the potential to be integrated into program activities.

This list was supplemented with additional sites based on extensive engagement with representatives from the Government of DRC, who through their regular mine site monitoring missions, have been able to provide relevant and up to date information on mines in the program target provinces. Engagement with other private sector and NGO stakeholders is already helping the project add to this list as the project deepens its presence in eastern DRC.

PHASE TWO: SITE AND MARKET SYSTEMS EVALUATIONS

Recognizing the need to update datasets held on the longlist of sites, as well as the shortcomings of basing program investment decisions on existing, limited datasets, the consortium decided to undertake site and market systems evaluations at a number of longlisted sites led by program due diligence and traceability partners: RCS Global and BetterChain.

The longlist was further supplemented and refined based on engagement with relevant stakeholders, including extensive consultation with the GoDRC, supply chain actors and civil society.

The evaluations are conducted according to the unique solutions of the respective program due diligence and traceability providers, details of which can be found in Annex I. However, both organizations are collecting site-level baseline data against the same data points across key performance indicators. These are benchmarked against recognized international and national normative and legal frameworks. This allows conclusions to be drawn in relation to the performance of the site and associated cooperative(s). (See details on standardized KPIs used to populate the site scorecard below.)

At a minimum, evaluations are based on site level visits composed of observations by qualified assessors; interviews with key informants including mine operators and workers, government counterparts and civil society actors; and limited documentary review.

The output of this phase of the site selection process is a primary data set that allows for an appreciation of the performance of the site against key performance indicators, and a synthesis report that assesses the program and market readiness of the site and associated cooperative(s) (where applicable).

PHASE THREE: SCORING AND SELECTION

Phase Three of the site selection process is broken down into two components: (a) scoring the performance of the sites and the cooperatives working on them in accordance with pre-determined, objective scoring criteria using a **Site Selection Scorecard**, and (b) selecting sites for integration into the project by way of a **Site Selection Concurrence Meeting**.

(A) CVCFG SITE SELECTION SCORECARD

The CVCFG Site Selection Scorecard - which builds upon a high-level scorecard developed under the USAID funded CBRMT program - permits a clear, objective and documented appraisal of mine site and cooperative performance to determine their overall project risk profile, commercial viability and

market readiness. It allows the consortium to assess what level of resource will be required to bring to cooperative to the point of being able to sell responsibly sourced gold.

The scorecard provides both an overall aggregate score of performance and a breakdown of performance across nine key thematic areas (detailed below). In conjunction with the Site and Market Systems Evaluation reports developed in Phase Two, the scorecard is designed to support the site selection decision. The scorecard aligns with and references the same data sets collected during Phase Two, adding value by distilling the findings into a numeric value represented by a clear infographic.

As a result, the scorecard is an extremely valuable tool from an analytical perspective since it allows the simultaneous analysis of multiple data sets, each with varying degrees of significance to the project, generating results that can be rapidly referenced.

However, despite its utility, the Site Selection Scorecard is not intended to be used in isolation to determine site selection (see Site Selection by CVCFG Site Selection Concurrence Meeting below).

An overview of the scorecard is provided below:

STRUCTURE / FORMAT

The scorecard is broken down into nine **Key Performance Areas (KPA)**, which are further subdivided into **indicators**. Each indicator is composed of a number of **criteria**, which are flexible enough to account for a wide range of potential scenarios (performance of the site / cooperative in relation to the Indicator), but provide sufficient detail to inform decision making (permitting, for example, the benchmarking of performance against internationally recognized normative and legal frameworks for gold ASM). Criteria are then each attributed a numerical value, or a **score**. Finally, scores are given a **weighting** according to the relative importance of each indicator in determining the overall project risk profile, commercial viability and market readiness of each site / cooperative.

An explanatory note, or **justification**, is provided to explain the weighting given to each indicator by the consortium. Where appropriate, indicators are benchmarked against the most relevant international / national standards, legal frameworks or other requirements. This **reference** serves to demonstrate the normative value of the Indicator, justifying its inclusion in the scorecard.

An example of indicator 001 from the Key Performance Area “mine site status / legality” demonstrates the structure and scoring approach of the scorecard as detailed above:

6	CRITERIA	SCORE	WEIGHTING (1-3)	TOTAL SCORE	JUSTIFICATION	REFERENCE (STANDARD OR GUIDELINES, LEGAL AND OTHER REQUIREMENTS)
MINE SITE QUALIFICATION (RCM)	Site is qualified "red"	Disqualifying	1		RCM is legal requirement, but due to limited coverage at gold mine sites and collection of comparable data as part of site selection, weighting is low.	ICGLR's Regional Certification Mechanism
	Site is qualified "yellow"	-1				
	Site is "blue" - requested site qualification mission, but	1				

	has not happened within timeframe		la Région des Grands Lacs (CIRGL) en République Démocratique du Congo.)
	Site is qualified "green"	2	
	Site has not been inspected and no inspection has been requested	0	

WHAT AREAS OF PERFORMANCE DOES THE SCORECARD ASSESS AND WHY?

The scorecard assesses performance against nine **Key Performance Areas**, which are as follows.

1. Mine site status / legality
2. Cooperative governance / legality
3. Security
4. Human rights
5. State actors' presence
6. Accessibility
7. Production and trade
8. Health, safety and environment
9. Civil society, community and development

Each KPA is scored against between two and seven indicators, according to the level of granularity required at this stage of site selection. The scorecard is made up of a total of 35 performance **indicators**, each of which can be referenced in the scorecard template in Annex II. The scores attributed to each of these allows the scorecard to generate an overall score for each KPA, as well as an aggregated score for the overall performance of the site / cooperative (see explanation on scoring below).

SCORING

Sites are scored against each indicator according to the criteria that most closely corresponds to their performance levels. Generally, criteria are scored between a minimum of minus 1 and a maximum of plus 2 (although not all indicators use the full range). The higher the score, the better the performance. Most indicators can only be scored against one criteria but in the cases where multiple criteria are permissible (see indicator guidance in scorecard tool) the overall score for an indicator is arrived at by adding all applicable scores together.

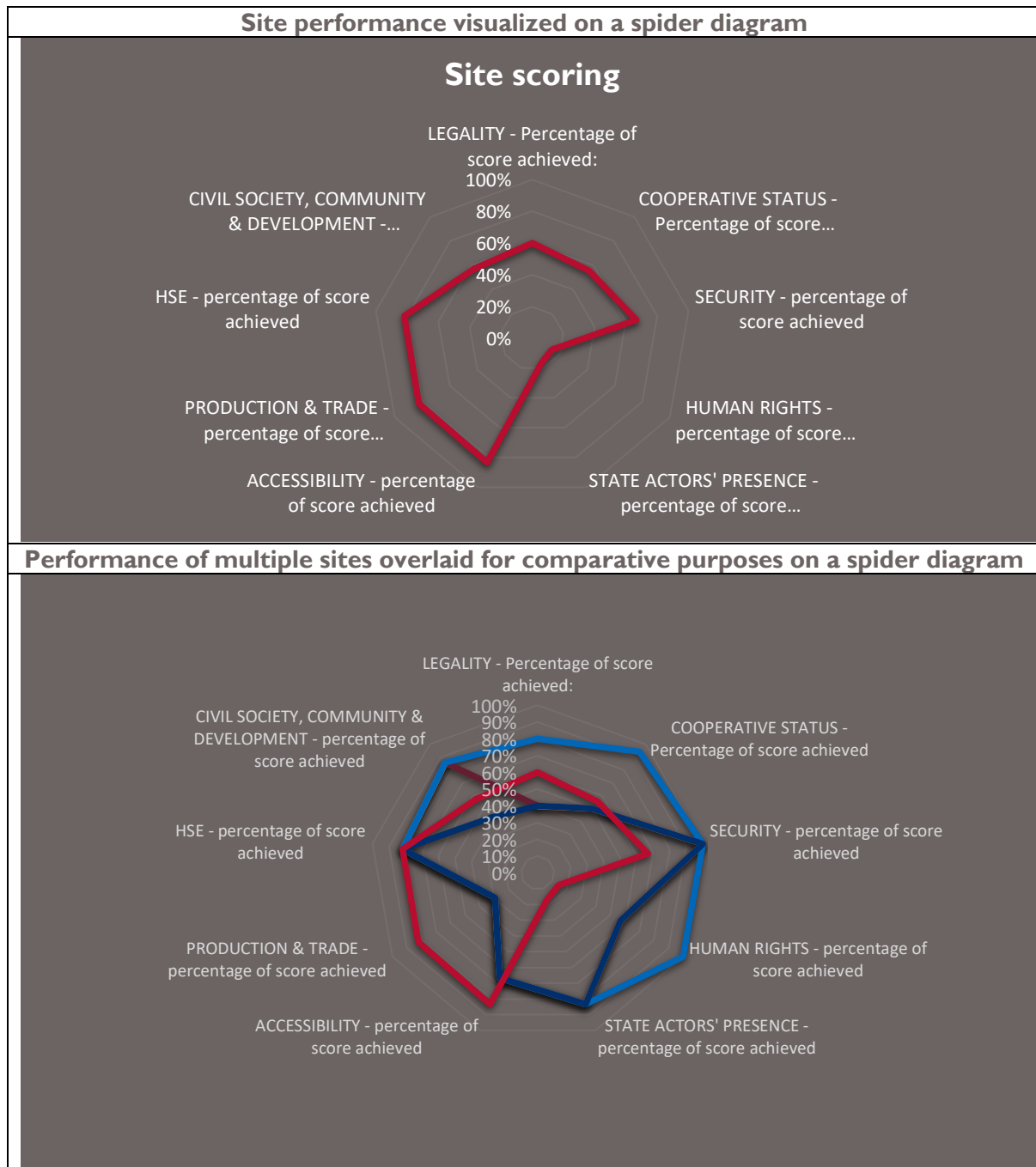
A site / cooperative may also receive a “disqualifying” score. This score is conferred to serious non-conformance against project requirements, for example presence of OECD Due Diligence Guidance Annex II risks requiring “immediate disengagement”. Any one such disqualifying score results in a disqualification of the site from selling gold under the umbrella of the project, regardless of its performance in other areas.

Assuming that no disqualifying score has been received by a site / cooperative an overall score is calculated using the following process:

- Multiplying the score for each indicator by the weighted value of the indicator (scored on scale of 1-3 according to level of importance to the project);

- Adding up the sum of all scores for the indicators within that KPA as well as the score for all indicators within the scorecard to arrive at an aggregated site / cooperative score;
- Normalizing scores so that they can be converted and expressed as a percentage, which allows for rapid comparison of the performance of one site / cooperative against another.

The scores for each site can then be visualized using a spider diagram, which can further be overlaid with a small number of other sites to compare performance (see table below).



(B) CONFIRMATION BY SITE SELECTION CONCURRENCE MEETING

The final step in the process is the selection of sites for incorporation into the project. This is realized by convening a Site Selection Concurrence meeting composed of three members: 1x

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representative of the project; 1x representative of the Client, USAID, and; 1x representative of the GoDRC.

The representative of the project is responsible for presenting the considered decision of the project team on which sites to integrate into the program, providing the evidential basis made up of the site and market systems assessments, the site scorecard, and any additional documentation explaining the basis for the recommendation. The meeting allows USAID and GoDRC to review the data presented, the overall process and seek clarification or ask questions as needed. The intended outcome of the meeting is obtained “buy-in” by all key stakeholders present on the process and initial outputs.

ANNEX I – OVERVIEW OF SCOPING MISSION APPROACHES EMPLOYED BY PROGRAMME DUE DILIGENCE AND TRACEABILITY PARTNERS

BETTERCHAIN – CVCFG SCOPING MISSIONS OVERVIEW

Based on feedback from Justice Plus and other information relays, we have now established a fairly stable process for scoping (data collection and analysis) at sites in Ituri, in two steps:

- Identification: based on details gathered from consultation with stakeholders in town (Bunia), mine sites are created in the database. Identification data is provided by local information providers (right now only Justice Plus) via a dedicated Kobo site identification questionnaire.
- Assessment: complementary information on pre-identified sites is collected in the assessment phase, presently based on a site visit (Justice Plus) or going forward through phone interviews with Local Information Relays (LIR). Assessment data is provided via another dedicated Kobo site assessment questionnaire.

While any identified site is or will become a candidate for further assessment, we have so far prioritised sites with “large” reported activity, which are accessible from Bunia within half a day or less, where that access is secure.

Data collected through Kobo then flows through to Datastake (API), to support the following features:

- Consolidation of all information compiled locally (on sites, supply chain participants, etc.)
- Visualisation by the author / collector (now Justice Plus) for verification / consistency checks and confirmation
- Submission / sharing of information with the monitoring project client
- Building the information source’s track record and support its other reporting activities beyond the current project
- Complementing supply chain participant’s own information compilation (CADD module) and due diligence reporting, as "Auxiliary Information Source"

A third phase (“Connection”) will be initiated in consultation with exporters, to confirm sites which are or may become part of traceable commercial supply chains. Only at that stage, once the opportunity of an export is confirmed, can we commit further resources towards documentation compilation, operator onboarding and risk management planning.

RCS GLOBAL GROUP – CVCFG SCOPING MISSIONS OVERVIEW

The Better Sourcing Program (BSP) is an upstream assurance mechanism recognized by the Responsible Minerals Initiative (RMI), that comprises a set of supply chain due diligence tools owned and implemented by the RCS Global Group. RCS Global is a consortium member supporting implementation of the USAID-funded CVCFG “Zahabu Safi” project.

As part of supporting site selection for the Zahabu Safi project, RCS Global is implementing the BSP suite of tools and has conducted a set of scoping missions in the South Kivu province of eastern Democratic Republic of Congo (DRC). The scoping missions by RCS Global have applied RCS Global’s proprietary Supply Chain Evaluation (SCE) approach. The SCE approach has been independently evaluated as part of an OECD Alignment Assessment and found to be fully OECD-aligned.

Key criteria that are assessed during the SCE are:

- General information (mine name, GPS coordinates, type of license or permit, concession surface, production volumes, number of workers)
- Legality / Legitimacy of operations
- Human Rights
- Security
- Working Conditions / Safety
- Environment
- Community
- Chain of Custody

The complete SCE process includes the following steps:

- A first mine site assessment known as a Preliminary SCE.
 - The objective of the preliminary site visit is to determine whether the site warrants a Full SCE and consists of a simplified version of the Full SCE, focusing only on rapid findings from a mine site visit.
 - The rapid findings rely primarily on observations from the visit, a reduced number of interviews with cooperative representatives, workers, and state agents present on site on the day of the visit, and a limited review of key documentation.
- If the observations from a Preliminary SCE are positive, RCS proceeds with a Full SCE, which can be broken down into three steps:
 - Know Your Counterparty (KYC) analysis
 - Due diligence documentation collection and analysis
 - Complete on-site assessment, which is an in-depth assessment of the criteria assessed during the preliminary site visit

The completed SCE provides a comprehensive baseline assessment of the sites' performance against the Better Sourcing Standard and a determination of the systems that will be necessary in order to ensure that responsible sourcing and due diligence requirements are met.

RCS Global's scoping missions for the Zahabu Safi project have so far completed six preliminary SCEs. The results and data collected during these preliminary SCEs from the scoping missions have been incorporated into the CVCFG mine site scoring tool developed by Levin Sources, and the results will be presented to the Zahabu Safi project consortium in order to determine the sites selected to move forward and that will be subject to a Full SCE.

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ANNEX II - SITE SELECTION SCORECARD TEMPLATE

See excel spreadsheet template.