AFECCOR.

Supporting Artisanal Gold Mining Communities to Access Savings and Credit



• •• MISSION

We transform how natural resources are managed in areas where security and human rights are at risk. We investigate and develop approaches for natural resources to improve security, development, and equality. We are an independent nonprofit, collaborating with local partners for lasting change.

AFECCOR

The Artisanal Mining Women's Empowerment Credit & Savings project, known by its French acronym AFECCOR, supports women and men in artisanal gold mining communities to access savings and credit in an effort to promote entrepreneurship and security.

AGE DEPARGNE (ITAKIRA)

IMPACT supports local artisanal gold miners and community members to establish Village Savings and Loans Associations (VSLAs). Members meet regularly over one year to invest their money into their association's savings and to loan their growing funds to group members. The interest paid on the loans goes back into the communal pot so group members see their savings increase over time.

The AFECCOR project provides a safe space for all members of the association to save and access credit in a context that lacks even the most basic financial services. Throughout the project, artisanal miners and community members decrease their reliance on predatory informal credit networks, while fostering social cohesion. AFECCOR also promotes women's leadership and economic empowerment in their homes, artisanal mine sites, and the wider community.

Through the AFECCOR project, we're supporting community-led financial services in artisanal gold mining communities to contribute to equitable peace and development.



OLD

Ruth is a member of a VSLA in Democratic Republic of Congo's Ituri Province, supported by the AFECCOR project. She took a couple of loans throughout the year and invested her savings into her farming businessfood she harvests and sells to the local artisanal gold mining community. She was able to buy one hectare of land, making her business more successful and profitable. Ruth and her husband also took part in the gender dialogue sessions. She says that they are now able to collaborate together more and there is more dialogue on important issues in her home.

PILLARS OF THE AFECCOR PROJECT



We are guided by the core belief that lasting and transformative change in artisanal gold mining comes by providing capacity, investment, and spotlight to local actors. Our approach values local partnership with artisanal miners, communities, and authorities to develop local ownership over the project.



We have an evidence-based approach, focused on a deep understanding of the local context. We conduct robust baseline studies and assessments, with ongoing data collection that is continually analyzed to adjust interventions in the project to maximize impact.



We work to transform how artisanal gold mining is managed in areas where security and human rights are at risk, analyzing the overlooked links between financial inclusion and conflict. We practice and promote non-violence in the project and throughout the communities where we work. We are holistic in our approach to transforming the artisanal gold mining sector and don't work through a single-issue lens. By supporting artisanal mining communities to access savings and credit, we're addressing a major challenge in formalizing the sector. This challenge is particularly acute for women and marginalized groups, which is why we privilege supporting their access to savings and credit.



We push boundaries and are one of the first to document the implementation of the Village Savings and Loans Association model in artisanal gold mining communities. We believe that supporting communities to access financial services is an essential part of formalizing the sector, ensuring a transparent supply chain, and empowering women in artisanal mining.



We have a solution anchored in a development, human rights, and peacebuilding approach with a focus on women's economic empowerment. By building capacity within the local community, we are committed to ensuring that access to savings and credit is not donor reliant—but can be scaled and contribute to lasting change.



HOW THE AFECCOR PROJECT WORKS





The AFECCOR project is designed for all community members to participate. This includes women and men, as well as artisanal miners and other members of the artisanal mining community. Each community member chooses which Village Savings and Loans Association (VSLA) to join, building upon pre-existing trust. As a result, the majority of the VSLAs created through the AFECCOR project are gender-mixed. VSLAs consist of 20 to 35 community members each.

2. VSLA MEMBERS ELECT THEIR MANAGEMENT COMMITTEES

Each VSLA has a management committee of eight people. Members of the management committees take on various roles, including oversight, treasurers, and key holders of the cashbox. All positions in the management committee are elected by the members of the VSLA. As part of the AFECCOR project's efforts to promote women's leadership, women are especially encouraged to participate and have a significant presence in the management committees.

3. MEMBERS CONTRIBUTE TO SAVINGS

Following the traditional VSLA model, members contribute a small amount to their group's savings on a weekly basis. The cash is held in a physical cashbox stored in the treasurer's home and oversight is provided through a triple lock and key holder system.

4. MEMBERS CONTRIBUTE TO A SOLIDARITY FUND

In addition to the weekly savings, members contribute a small amount to a separately managed Solidarity Fund. The Solidarity Fund covers unexpected expenses group members may experience that may impact their financial well-being such as illness, funerals, fire, weddings, or births. Any contribution made out of the Solidarity Fund is not expected to be paid back. The fund operates like insurance which is often non-existent in rural communities or high-risk contexts.

5. COMMUNITY VOLUNTEERS PROVIDE LITERACY AND FINANCIAL TRAINING

To ensure sustainability and scalability of the AFECCOR project, project staff provide training to community volunteers on a number of topics including VSLA management, literacy, and financial skills. The role of the community volunteers is to provide support to their assigned VSLAs. To ensure maximum support, each volunteer provides support to a maximum of three groups. In addition to the training they receive from the project staff, community volunteers gather on a regular basis to share information and exchange ideas. As part of its efforts to promote women's leadership in the project, women specifically are sought out for the role of community volunteers, promoting their status in the communities and building their capacity.

Once VSLA members begin contributing to their savings, community volunteers provide training to all members on basic literacy and numeracy. This allows members to develop basic financial skills. Childcare services are always offered during the AFECCOR project's trainings to ensure equitable access for all members to participate.

6. VSLA GROUPS LEND CREDIT

Once enough capital is generated by the VSLA members, typically after three months, the groups begin lending to their members who invest in their respective businesses. When applying for a loan with their VSLA, the respective borrower must outline their business idea and the group must approve it. The repayment period is short—only four weeks in order to allow a large number of members to apply for a loan over the one year financial cycle. As a result, most members prefer to invest their loans into businesses that have a shorter return on investment such as the trading of food products like palm oil, vegetables, fruit, fish, and meat.



Group members of a Village Savings and Loan Association in DRC's Ituri Province meet in their community to contribute to their group's savings for the first time in December 2017. **Photo: Zuzia Danielski/IMPACT**

7. MEMBERS REPAY LOANS WITH INTEREST

Members repay their loans with interest, generating a small profit for the VSLA's savings. Usually, the small interest rates on VSLA loans are between five and 20 percent per month and are set by each group individually. In this project, all groups have set the monthly interest rate to 10 percent to keep the bookkeeping simple.

8. MEMBERS PARTICIPATE IN GENDER DIALOGUE SESSIONS

The gender dialogue sessions are designed for the VSLA members and their life partners. Run by community volunteers after training from project staff, the sessions focus on household financial well-being and budgeting, as well as communication and negotiation around finances. Themes related to gender roles, stigma, and violence are woven into the sessions. Throughout the workshops, participants engage in dialogue about their own attitudes and beliefs regarding financial decision making, women's contributions to the household, and alternatives to using violence as a means of asserting power. The objective of the sessions is to shift social dynamics so that women are able to safely contribute to and voice their priorities in the decisions that affect them and their families.

9. MEMBERS RECEIVE BUSINESS SKILLS TRAINING

As part of its efforts to prepare VSLA members for the share-out of the savings fund at the end of the financial cycle, the AFECCOR project provides training on business skills. The training builds on the Competency-based Economies through Formation of Entrepreneurs (CEFE) methodology, which focuses on building skills through an action-oriented and participatory curriculum, geared towards adults in illiterate populations. The CEFE training focuses on the individual as an entrepreneur and equips them with business skills and knowledge to enable them to start or expand a business in artisanal mining communities.

The AFECCOR project provides a CEFE training-of-trainers to representatives from local non-governmental and community organizations to develop local capacity and ensure sustainability. The local trainers then do a series of trainings over the course of one week focused on building skills of VSLA members to develop a diversified and reliable source of income and create lasting businesses in their communities. Participants develop business plans based on their interests, skills, and anticipated local demand and supply.

10. VSLAS DISTRIBUTE SAVINGS TO THEIR MEMBERS

The VSLAs distribute all of the savings at the end of each financial cycle, typically every 12 months. The share out includes any interest accumulated, which is paid out based on each VSLA member's savings. VSLA members then have the opportunity to invest their savings in a new or existing business while restarting savings during the VSLAs next financial cycle.



THROUGH THE TRAINING offered with the AFECCOR project, women said they learned new business skills including financial literacy, entrepreneurship, and more. Over 300 WOMEN were trained and said they felt more confident in managing a successful business.

As part of the AFECCOR project in DRC, community volunteers are trained to lead gender dialogue sessions that focus on household financial well-being and budgeting, while shifting gender dynamics. **Photo: Job Bahati/IMPACT**

ACCESS TO FINANCE SUPPORTS SUPPLY CHAIN TRANSPARENCY AND PROMOTES GENDER EQUALITY

There are an estimated 40 million people working in artisanal and small-scale mining worldwide. Yet, most remain informal and work outside legal frameworks.

In artisanal gold mining communities, gold is often used as currency to cover basic needs, small businesses, and mine site operations—often with unfavourable conditions. This is known as the gold economy.

As an alternative to paper currency, gold is also often favoured for money laundering and illicit trade. It is a high-value, easy-to-transport mineral, making it vulnerable to smuggling and makes artisanal miners vulnerable to illicit trade, criminal networks, corruption, and violence.

The predominance of predatory and informal credit networks is reinforced by the lack of banking institutions in artisanal gold mining communities.

According to the World Bank, 26 percent of people in Democratic Republic of Congo have a bank account. In Mambasa Territory, where the AFECCOR project was implemented, only 1 percent of women artisanal miners and 3 percent of male artisanal miners have a bank account.

The complete absence or poor provision or financial services in artisanal mining communities can be linked to a long list of credit risks, including:



A community volunteer in DRC leads a gender dialogue session in Mambasa as part of the AFECCOR project. **Photo: Job Bahati/IMPACT**

- The remoteness of the area which doesn't make services profitable;
- The transient nature of miners, their illegal or informal status;
- Lack of social or physical collateral such as land;
- Lack of a guarantee of return on investment—with miners lacking financial, business, and geological skills or equipment which would allow them to identify the scale and value of the resource at the site.

Any combination of these factors can contribute to an actual or perceived challenge in making repayments, and prevents financial institutions from engaging with artisanal miners and their communities.

As a result, financial institutions like banks are often completely absent in rural mining communities and predatory networks step in to provide credit to artisanal miners in exchange for gold and on unfavourable terms. The absence of formal financial services in artisanal mining communities is therefore a major obstacle to the formalization of the artisanal mining sector and a traceable or legal supply chain.

Women in these communities who would seek credit to start a new income-generating activity or grow their business are often significantly disadvantaged on the basis of their gender. They often completely lack access to credit or only receive credit that comes with severely unfavourable repayment conditions, such as high interest.

A large variety of micro-finance models have been well established around the world, especially within the agriculture sector. How these models would work in an artisanal mining community has rarely been tested. The AFECCOR project is one of the first case studies to document the introduction of the VSLA model to an artisanal gold mining community, and the first to align it with a women's empowerment approach in the artisanal mining sector.

TESTING A MODEL: Bringing Savings and credit to artisanal gold mining communities in democratic republic of congo

In March 2017, the AFECCOR project was launched in Democratic Republic of Congo's northeastern Ituri Province. This was one of the first case studies documented introducing the VSLA model to artisanal gold mining communities.

Over 1,400 women and men across 14 artisanal gold mine sites and nearby communities in Mambasa Territory joined the project. They formed 50 VSLAs, whose first financial cycle was between December 2017 and November 2018. Members saved an average of \$3.13 USD per month—with a total of over \$45,000 USD saved by all 50 groups throughout the one year.

Over the course of the year, 1,200 loans were granted with most of them invested in new or existing businesses, such as the trade of small products like palm oil, manioc, fruit, fish, and meat. The interest charged on loans generated an average 17 percent rate of return. The project proved successful with 98 percent of all loans repaid and only one group which had members that didn't repay their loans.

Additionally, women took full advantage of the credit offered through their VSLA. While 52 percent of participating men accessed loans, 110 percent of participating women took a loan—meaning that many women accessed a second loan during the first cycle.

Savings could be made only in cash in an effort to transform reliance on the gold-based economy. By the end of the first financial cycle, 70 percent of women and 57 percent of men



participating in the project said they were using more cash than gold in their daily transactions.

In addition to the weekly savings, AFECCOR members paid a fee to a separately managed social fund to cover emergencies. While both women and men contributed, on average the same amount to the fund, 67 percent of women accessed the fund—compared to only 33 percent of men. Most often—77 percent of the time—the fund was used to pay for medical fees when a group member was ill.

In November 2018, 94 percent of female and 92 percent of male VSLA members reported that the social cohesion in their immediate environment had improved over the past six months. When asked about the advantages of joining a VSLA, the majority of men cited that group solidarity was the most important advantage.

1,700 women and men—AFECCOR participants and their life partners—attended eight gender dialogue sessions that discussed financial well-being and household budgeting. More than 300 women received business skills training to support new entrepreneurship activities.

The project proved both sustainable and scalable. After the first financial cycle, 48 groups out of 50 continued their activities and started a second financial cycle without the direct support of IMPACT. In addition, 20 new groups have formed and are supported by volunteers who are members of the original groups.

Funding for the AFECCOR project in Democratic Republic of Congo was provided by the European Partnership for Responsible Minerals (EPRM).

RESULTS FROM AFECCOR'S FIRST FINANCIAL CYCLE



The aggregated numbers were generated from the central ledgers of every group and reflect averages and sums from December 2017 to September 2018, with the exception of numbers marked with (*) which describe averages and rates up to May 2018.



THE PROJECT became sustainable with 48 GROUPS

 $\label{eq:kick-starting} \begin{array}{c} \mbox{is cond financial cycle. Community volunteers also} \\ \mbox{supported } 20 \ NEW \ VSLA \ GROUPS \ \mbox{to begin savings.} \end{array}$

After seeing other members in their community increase their savings, 20 new VSLA groups kick-started their first financial cycle in March 2019 in Ituri Province. These groups received cashboxes, calculators, and other materials. **Photo: Zuzia Danielski/IMPACT**

NICLETTE'S STORY

Niclette has a small business selling fish in an artisanal gold mining community in Ituri Province, Democratic Republic of Congo. Through the AFECCOR project, she joined a VSLA and began putting a small amount of money into the group savings every week. She took out a couple of loans over the course of the year to invest into her business—and at the end of the year, she bought a goat with her savings-a significant investment for her family. She credits the business skills training she received with providing her with knowledge to understand and calculate capital and revenue to run a successful business.

HOW THE AFECCOR PROJECT SUPPORTS ARTISANAL MINING COMMUNITIES

WE'RE SUPPORTING SAFE AND EQUITABLE ACCESS TO LOANS

By providing a safe space for members to access savings and loans, VSLA members decrease their reliance on credit provided through informal or predatory networks. The interest rate is transparent and established by group members. Members use their loans to invest into new or existing businesses. Members may also use their loans to cover basic needs, such as school fees.

Participants in the AFECCOR project in Democratic Republic of Congo stated that by the end of the first financial cycle in November 2018, 87 percent of all their loans came from their VSLA group decreasing reliance on informal credit networks.

WE'RE INCREASING ECONOMIC RESILIENCE IN COMMUNITIES

In addition to the weekly savings, AFECCOR members contribute a small amount to a separately managed Solidarity Fund to cover emergencies, contributing to the economic resilience of community members. In 77 percent of the cases in the project in Democratic Republic of Congo, the fund was used to pay for medical fees for VSLA group members who had fallen ill. This allowed members to resume their income-generating activities more quickly because they were able to pay for medicine or see a doctor.

WE'RE BUILDING TRUST AND SOLIDARITY IN CONFLICT-AFFECTED COMMUNITIES

Community savings groups are a social institution. Members self-select their groups based on pre-existing trust. Their trust increases over time as members gather weekly, sharing concerns, and providing a financial safety net during emergencies through the Solidarity Fund.

Over the course of the first financial cycle in Democratic Republic of Congo, AFECCOR project participants said that group solidarity was one of the most important advantages to joining a VSLA. Additionally, at the end of the financial cycle, 94 percent of women and 92 percent of men said that social cohesion in their immediate community had improved over the past six months.

WE'RE PRIORITIZING WOMEN'S ECONOMIC EMPOWERMENT

VSLA's are a proven model to promote women's economic empowerment. Through the AFECCOR project, women's leadership is prioritized and promoted with women-led VSLA management committees and women community volunteers. The training sessions, like the business skills training and gender dialogue sessions, promote both capacity building and social change in communities towards gender equality.

The AFECCOR project in Democratic Republic of Congo proved that the VSLA model can increase women's empowerment. 80 percent of the groups had women-led management committees, and 65 percent of the community volunteers were women. Women also had a higher participation rate than men in the weekly meetings, contributing on average 73 percent more to their group's savings, and benefitted nearly three times more often than men from this new source of loans.

WE'RE DECREASING THE USE OF GOLD AS CURRENCY

The implementation of savings groups in artisanal gold mining communities, especially if implemented alongside more traditional formalization efforts, can lead to more gold into legal supply chains by decreasing the use of gold as currency. Group members are encouraged to exchange the gold they mined into cash, as only cash is accepted as savings in the AFECCOR project. This increases the demand for cash. In addition, members now have at their disposal a new source of credit and no longer need to turn to actors who may be illicit.

By the end of the first financial cycle in Democratic Republic of Congo, 70 percent of women and 57 percent of men participating in the AFECCOR project said that they were using more cash in daily transactions.



Photos: Zuzia Danielski/IMPACT

Front Cover and Page 12:

A community volunteer provides literacy and financial coaching to members in her Village Savings and Loans Association (VSLA), as part of the AFECCOR project in Ituri Province.

Page 1:

The treasurer of a VSLA in Ituri Province records a group member's contribution at their weekly meeting in December 2017.

Back Cover:

A member of a VSLA in DRC's Ituri Province counts the contribution made by her group's members at their weekly meeting in December 2017.





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