

Mapping Payments:

Transparency in Democratic Republic of Congo's Artisanal Cobalt Supply Chain

IMPACT's Mapping Payments project aims to reduce corruption and illicit trade in Democratic Republic of Congo (DRC) by bringing transparency to the taxes and fees required along the artisanal cobalt supply chain. The project brings together provincial and national stakeholders to agree on the legally required taxes, fees, and administrative steps in the supply chain, as well as create proposals on how to increase transparency and legal trade.

How is DRC's current fiscal regime driving smuggling, corruption, and extortion?

DRC's fiscal regime for the artisanal mining sector is burdensome, complex, and ambiguous. High taxes and complex administrative burdens disincentive legal trade of its natural resources.

When IMPACT implemented the Just Gold project in Ituri Province which brought conflict-free, traceable, and legal gold from DRC to the international market, we saw firsthand how onerous administrative steps to export gold were complex and often lacked clarity. Between 2017 and 2019, when accompanying the cooperative and exporter through the export process, the Just Gold project documented 26 steps involving multiple agencies and government representatives, some who had to be visited multiple times over a two-week period.¹

At the point of export in Ituri Province, 12 percent was paid by supply chain actors to export gold from the Just Gold project. During the same time—in neighbouring Uganda, there was only a 5 percent royalty on the value of the amount mined, rather than an export tax.²



Photo by Sven Torfinn/IMPACT: A trader holds Congolese Francs.

Not only were the steps onerous and confusing—opening the door to corruption—but the country's high taxes and fees often pushed the price of gold beyond what the industry was willing to pay, creating a barrier to commercial viability. Our research has previously found that registered traders and exporters are declaring only a small percentage of their gold while pocketing massive profits from illicit trade.³

1 Oscar Katho, Joanne Lebert, Jean Paul Lonema, et al., *The Just Gold Project: Lessons for the Future of Artisanal Gold in Democratic Republic of Congo*, IMPACT, March 2021, p 45, <https://impacttransform.org/en/report-just-gold-lessons-drc/>.

2 *Ibid*, p 45-46.

3 IMPACT, *The Intermediaries: Traders Who Threaten the Democratic Republic of Congo's Efforts for Conflict-Free Gold*, September 2020, <https://impacttransform.org/en/congo-gold-intermediaries/>.



Photo by Paul Alain Hunt/Unsplash: Ore with cobalt and copper.



Photo by Sebastian Meyer/Getty: A miner fills a bag with cobalt at a mine in Kasulo.

The Mapping Payments project will allow us to similarly understand DRC’s artisanal cobalt sector and how it compares to the country’s artisanal gold supply chain. Ambiguity with what taxes and fees need to be paid in the artisanal gold supply chain, coupled with the complex administrative steps, lead to corruption, and are an important obstacle to formality.

According to a 2019 report on DRC’s artisanal cobalt sector, up to 20 percent of the total value of production is being extorted from artisanal cobalt miners through unofficial payments by cooperatives or state agents.⁴

Artisanal miners are often reliant on pre-financing, requiring loans or investments from third parties or informal credit networks to finance their basic needs and mine site operations, until they extract enough minerals. These financing arrangements can have unfavourable conditions, with miners required to sell all or a percentage of their minerals to their financier at less than market value, or even create a situation of debt bondage where miners continue to work to pay off their loan without any end in sight.

How will the Mapping Payments project increase supply chain transparency?

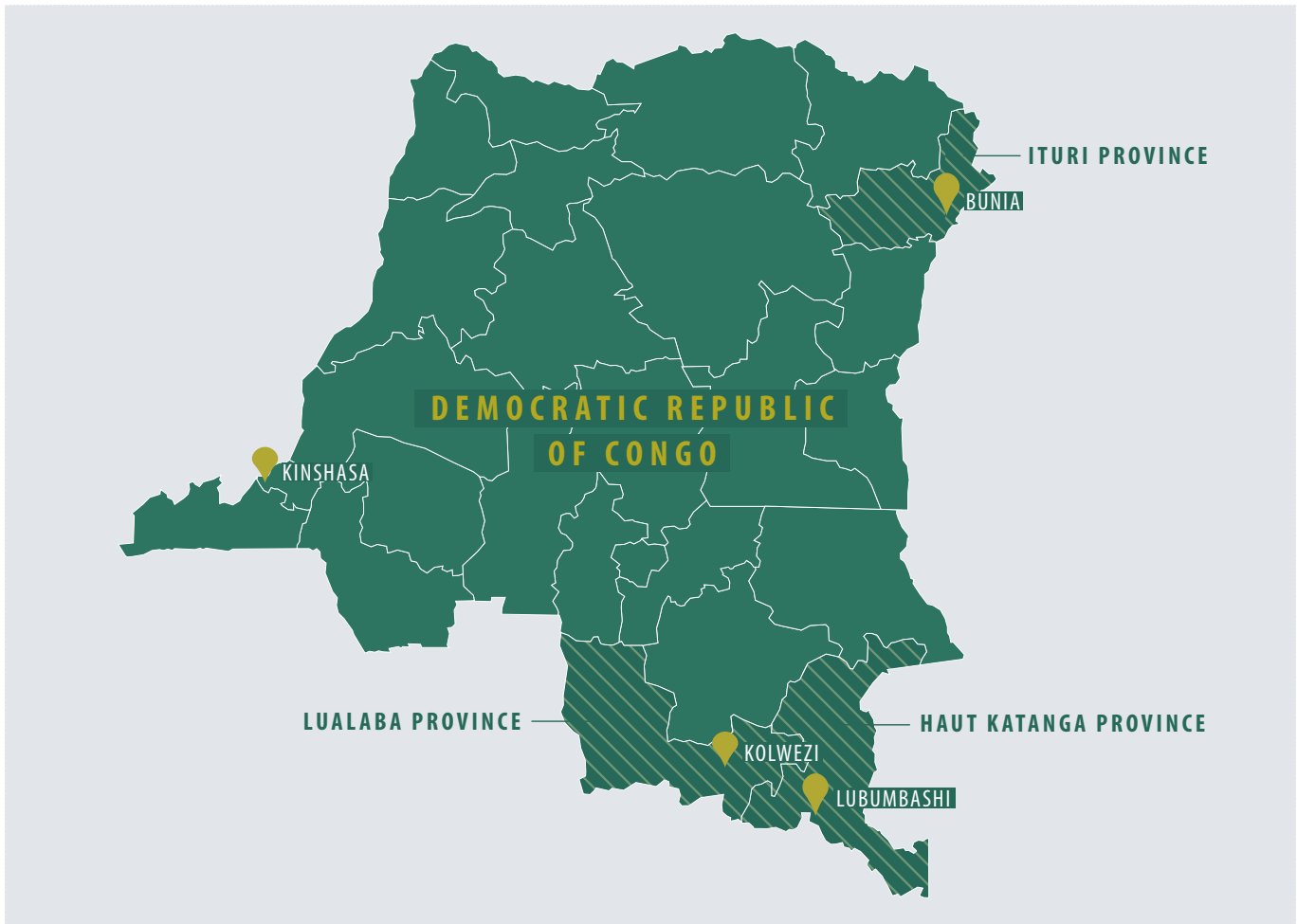
Workshops will be held in Kolwezi, Lualaba Province, and in DRC’s capital, Kinshasa, with policymakers, mining and financial management experts, artisanal miners, traders, processors, exporters, and civil society to discuss the various taxes, fees, and administrative steps currently in place.

Based on these workshops, IMPACT will develop technical notes with a list of agreed upon taxes, fees, and administrative procedures for the artisanal cobalt supply chain—based on DRC’s national and provincial legislation. These will be distributed to all stakeholders, including actors in the supply chain.

The efforts to map payments in DRC’s artisanal cobalt supply chain builds off IMPACT’s similar work in artisanal gold in Ituri Province. Four technical notes were developed in 2022 which outlined taxes, fees, and steps to transfer artisanal gold between provinces, export artisanal gold, purchase and sell artisanal gold in Ituri Province, and extract artisanal gold in Ituri Province.⁵

4 Interconnected supply chains: a comprehensive look at due diligence challenges and opportunities sourcing cobalt and copper from the Democratic Republic of Congo, OECD, 2019, p 47, <https://mneguidelines.oecd.org/Interconnected-supply-chains-a-comprehensive-look-at-due-diligence-challenges-and-opportunities-sourcing-cobalt-and-copper-from-the-DRC.pdf>.

5 “Mapping Taxes & Fees in DRC’s Artisanal Gold Supply Chain,” IMPACT, May 31, 2022, <https://impacttransform.org/en/mapping-taxes-drc-artisanal-gold/>.



These technical notes have proven to be a helpful reference guide, with stakeholders relying on them for the legal payments and administrative steps in the artisanal gold supply chain. The previous 26 steps to export gold, has been reduced to 9—as per the law—with the number of taxes and fees similarly decreasing. Since they've been published, our partner exporter in Ituri Province has been using the documents to deter demands for illegal payments.

Once stakeholders have knowledge about the legal payments and administrative steps across DRC's artisanal cobalt and gold supply chains, stakeholders will be supported to develop recommendations to encourage transparency and efficiency in the sector.

About the Implementing Partners

IMPACT has been transforming how natural resources are managed in areas where security and human rights are at risk for over 30 years. We investigate and develop approaches for natural resources to improve security, development, and equality.

We are an independent non-profit, collaborating with local partners for lasting change. IMPACT's work focuses on five focus areas: regulatory and legal reform, supply chain transparency, illicit trade and financing, gender equality, and environmental stewardship. IMPACT has worked in DRC and neighbouring countries for more than a decade.

IMPACT is implementing the project in collaboration with *Action pour la Défense des droits humains* (ADDH), a Congolese non-profit organization based in Kolwezi. ADDH focuses on supporting transparency in the natural resource sector in Kolwezi and surrounding communities.



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