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Hearing on “Metals, Minerals, and Mining: How the CCP Fuels Conflict and Exploitation in Africa”

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Chairman Smith, Ranking Member Jacobs, and Distinguished Members of the Committee, thank you for the invitation to testify on “Metals, Minerals, and Mining: How the CCP Fuels Conflict and Exploitation in Africa.” Your leadership and interest in this topic is timely and warranted as the majority of the conflict zones in Africa are around mineral deposits. As a due diligence firm that has conducted supply chain investigations in Tanzania, Zambia, Ghana, DR Congo, Cote D’Ivoire, Sudan and Ethiopia, Accountable Africa has been on the frontline of steering investors and traders away from the pitfalls of illicit mining practices and networks, which are ever growing. Without saying any names, I would like to thank the responsible investors and traders that we have worked with over the past five years who have shown the courage to do business responsibly. All too often our due diligence reports gave them a tough counsel of having to turn down lucrative African mineral deals for the sake of maintaining a clean conscience and protecting their reputation. We’re sure it wasn’t easy to explain to your shareholders that you forwent the very steep discounts and wildcat profits that your competitors blatantly brandish, the long arc of history is on your side. Every time we walked away from a dodgy deal you maintained not only a clean reputation and conscience but you respected the dignity of the African communities we operate in. Thank you.

I’d like to start my testimony by telling you a personal story. When I got married in the Congo, an interesting scene took place. The pastor paused for a second at the altar and beheld our wedding bands, noticing the true weight of the gold. After commenting that it seems like real gold, he then held the bands up in the air and in a sudden sanctification prayer called for the wedding bands to be purged of any malfeasance associated with their provenance. Almost as if the gold required cleansing just in case it carried a curse from its supply chain. The officiating pastor wanted to ensure that our holy union was not cursed with dirty gold. The notion that gold could carry a trail of sin and suffering behind is unfortunately all too familiar in the Congo. Dirty gold and dirty minerals are at the center of the conflicts and exploitation we witness in Congo, Sudan and many other places that aren’t in the headlines today.

However, What makes a mineral clean or dirty? What is clean gold? Is it the fact that Western audit firm certifies it? Or paying customs taxes at the airport? The answer to this question is at the heart of solving the conflicts and corruption that bad actors exploit throughout Africa. The varying standards and authorities for what is clean gold or minerals allows wiggle

room and cover for bad actors to continue business models that destabilize African nations. For example, The International Tin Supply Chain Initiative (ITSCI) based in Kigali is supposed to be an industry body that contributes to better governance, human rights & stability, yet Global Witness found the contrary in their 2022 report called "The ITSCI laundromat - How a due diligence scheme appears to launder conflict minerals". They were recently linked to now sanctioned armed groups and warlords in the Democratic Republic of Congo.

A Moral Standard

Today there are too many unaccountable and foreign entities that get to determine what makes a mineral clean in Africa. Stemming the corruption and conflict fomented by the bad actors in the mining sector begins with standardizing the definition of what is clean. This standard also needs to take into account local buy-in. It's a matter of African moral sovereignty. This means a foreign-based entity, be they auditors or governments, can not hold more weight in determining the cleanliness or compliance of a product than the community of provenance. A local school principal can tell you if the gold mine in their community is setting a generation back or not just by looking at attendance numbers after cash is introduced at the mine site. Local fishers can tell us better than environment industry bodies whether the minerals coming into their community have poisoned riverways. Policing the minerals is best done through structures that are accountable to the communities affected throughout the supply chain. Mechanisms can vary but the moral authority to stamp a mineral clean mostly lies with the community of provenance. The recent case of Niger expelling Chinese management shows that when African countries get serious about their moral sovereignty in their extractive industries, Chinese actors are often the first to lose. When governments and communities get serious about enforcing a standard of cleanliness for mining activity, bad actors can't operate. This African moral sovereignty requires the retreat of foreign authorities but at the same time, African moral leadership must rise to the occasion.

Competition - OFAC Licenses

Apart from standardization, I'd like to recommend a market-based solution that requires no aid money. Promote the issuance of Office of Foreign Asset Control (OFAC) Licenses to mineral traders who are compliant with the highest standards of accountability. The many years of "all stick and no carrot" U.S. sanctions in Africa have driven away compliance-friendly trade financiers and allowed China to monopolize artisanal gold mining in Africa. Reporting confirms that network sanctions in African countries (Sudan, the Sahel, and Congo) have driven away global banking partners altogether because they aren't willing to take the risk of deciphering between good and bad actors in the mining sector. This drives most of the good actors to join the bad actors in dealing with the few options left for trade and mine financing: China. Chinese companies are all too willing to circumvent artisanal mining regulations and the overall USD system. This effectively hands over vast swaths of the artisanal gold trade to Chinese influence and even encourages governments to confiscate gold mines, which are often owned by U.S investors, to hand them over to Chinese operators.

Granting an OFAC General License to pre-approved gold traders in network-sanctioned countries will provide an alternative to Chinese black market financing and trading in the African

gold mining sector. It will provide an opportunity to distinguish good market participants while gathering market data that allows OFAC to better target bad market participants. When pre-approved traders share their live data with OFAC/Treasury it will provide greater visibility into the artisanal gold mining space and track the progress of China's USD circumvention efforts in Africa. In exchange for this data sharing, these pre-approved gold traders require special licenses to trade in these network-sanctioned countries (The Sahel, Sudan, and Congo). Many African artisanal mine site owners have no alternative to the Chinese because the market is scared away. U.S. Treasury/OFAC can combat Chinese influence in African gold mining by using Special Licenses to trade in gold as carrots that provide alternatives to Chinese financing in the artisanal mining space. The U.S. Treasury's Office of Foreign Asset Control (OFAC) has an already established process for granting special licenses, which it can use to pre-approve gold traders who are willing to compete in the artisanal gold space and regularly share compliance data with OFAC.

Support Industrial Energy

Lastly, supporting industrial energy projects like the Grand Inga Dam in the DRC will make the economics of exporting and processing minerals to China comparatively costly. The race for strategic minerals is not for the deposits but for the refining capacity. China controls over 85% of the world's refining capacity for rare earths. Prioritizing the DRC's launch of the Grand Inga Dam projects will undercut China's export-led growth model that dumps products and labor in Africa while also interrupting China's mineral extraction barter system that circumvents the US dollar in Africa.

I'd like to end on a warm note. I recently returned from Sudan where I conducted a site visit during Ramadan. The mining community I visited in the north didn't have much external wealth, but you couldn't guess it from the amount of food and charity they shared at the breaking of their fast. Though everyone was living through a civil war and joined in their hard-knock pursuit of gold at the mining site, these communities maintained the utmost hospitality. It reminded me that mining activity doesn't happen in a void but within a social fabric that must be respected, by visitors, investors, and governments alike. This is the challenge for China's model in Africa.