

GAO's Work on Conflict Minerals

Presentation to the INTOSAI Working
Group on Extractive Industries

September 27, 2017

Why is GAO Doing This Work?

- Dodd-Frank Act (2010) mandated several agencies to take action related to the exploitation of conflict minerals
- GAO is mandated to report annually on:
 - Effectiveness of Securities and Exchange Commission's disclosure rule in promoting peace and security in the region; and
 - Rate of sexual violence in DRC and surrounding countries

2015: Most Companies Unable to Determine Source of Conflict Minerals

- Two-thirds of filing companies were unable to determine the country of origin
- State and USAID took actions to implement the conflict minerals strategy, but faced a difficult operating environment
- Reports on sexual violence statistics in DRC, Rwanda, Burundi, Uganda



ce: GAO. | GAO-15-561

Artisanal Miners at a Gold Mine in Burundi



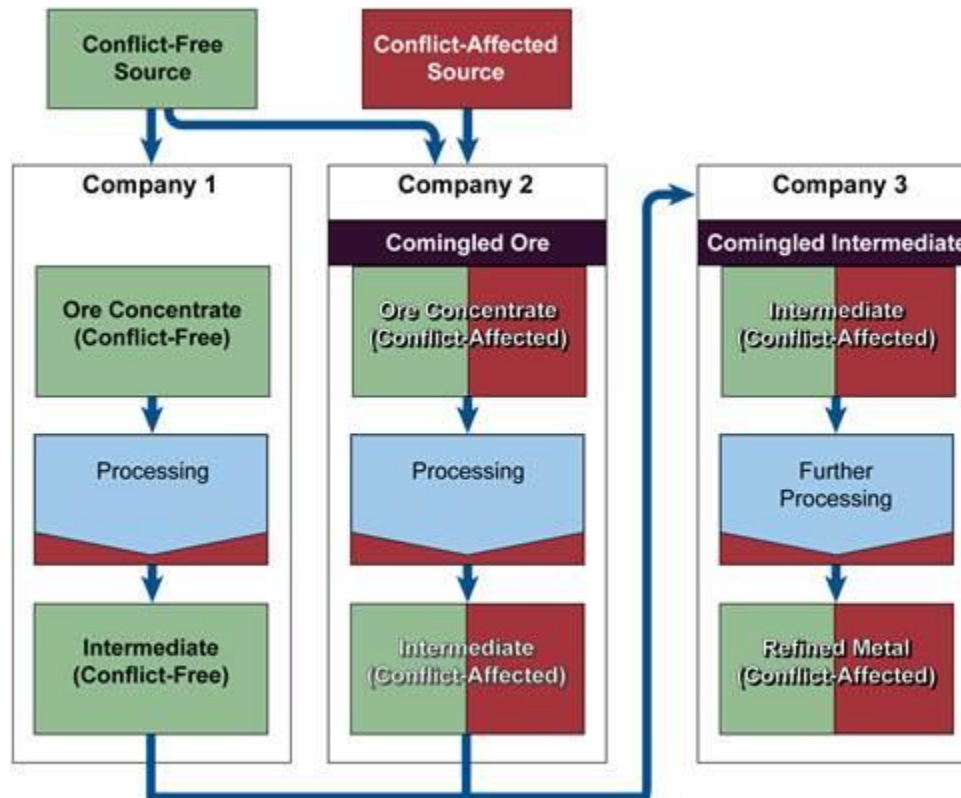
Source: GAO. | GAO-15-561

Stuck vehicle during a visit by the GAO team to a mine site in the eastern DRC

2016: Still difficult to assess whether conflict minerals benefit armed groups

- More companies that filed were able to identify source of conflict minerals, but almost all could not determine whether armed groups benefitted
- Disclosure efforts difficult because
 - Documentary process susceptible to fraud
 - Multiple levels of processing operations introduce fraud risk and increase the disclosure cost

Ore From Multiple Sources May be Commingled During Processing



Source: GAO analysis. | GAO-16-805

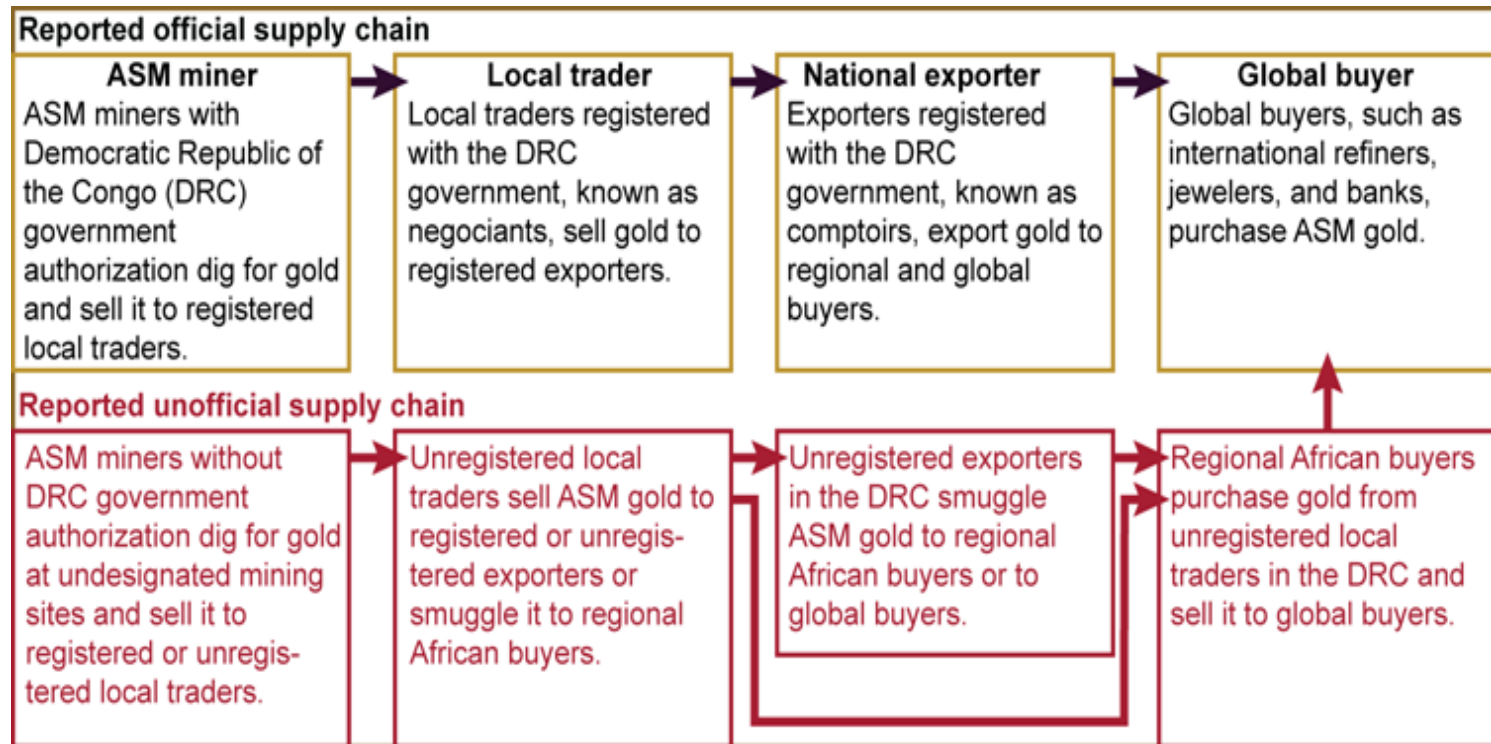
SEC Disclosures Filed in 2016 Similar to Previous Years

- About the same number of companies filed disclosures
- About the same percentage of companies had information on the source of their conflict minerals

2017: Supply Chain for Artisanal Gold Involves Many Actors

- Most gold smuggled out of country
- Exploited by Congolese army and armed groups
- Few incentives for responsible sourcing
- Sexual violence: 32 percent of women and 33 percent of men in Eastern DRC were exposed to sexual and gender-based violence

Official and Unofficial Supply Chain for Artisanal and Small-Scale Gold in DRC



Sources: GAO analysis of reports by U.S. agencies, the United Nations (UN), and nongovernmental and international organizations and of interviews with government and nongovernment stakeholders. | GAO-17-733

Do You Have Any Questions?



Source: International Peace Information Service. | GAO-17-733