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**Ethical Gold Sourcing: Ghana's
Framework for Sustainability and
Transparency.
Part I**

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Introduction



Gold has always been at the heart of Ghana's cultural and economic identity, earning its place as a leading global gold producer. Beyond its traditional role in fostering economic growth and facilitating trade, gold is now poised to play a pivotal role in stabilizing Ghana's foreign exchange currency and bolstering its reserves for general financial stability: in 2021 the Bank of Ghana (BoG) launched the Domestic Gold Purchase Programme (DGPP). As the name suggest, the programme seeks to purchase domestically mined gold through two programmes: Gold4Oil and Gold4Reserves.

However, the domestic gold mining industry faces ethical challenges in its operations including environmental

degradation¹, illegal mining², and human rights concerns³. It creates the clear conundrum between the country's economic goals for ultimately currency and financial stability through domestic gold purchasing and ensuring gold is ethically and responsibly sourced. To this the BoG launched the Responsible Gold Sourcing Policy Framework and published same in September 2024. This initiative aims to establish sustainable and ethical practices in gold sourcing while strengthening Ghana's currency and financial stability through increased gold reserves. As the framework evolves under changing administrations, its core objectives remain crucial for ensuring long-term sustainability and resilience in the sector aligning Ghana's gold industry with international standards.



Context and Background

The DGPP was initiated on **June 17, 2021**, with the ambitious goal of doubling Ghana's gold reserves of 8.74 tons over five years. As of November 2024, the BoG had accumulated an additional 10 tons, bringing total gold holdings to 29 tons⁴. By purchasing gold domestically and responsibly, the programme enhances foreign exchange reserves, diversifies the portfolio, and stabilizes the national currency. The positives are strong: gold reserves and trading with gold as opposed to the United States Dollar creates a store of value and a hedge against economic uncertainty, providing financial stability by acting as a reliable asset that can be used to support national currency during times of crisis or market volatility, essentially serving as a safety net for the economy⁵.

The juxtaposition of the Republic's increasing gold purchases for economic stability and the rising concerns over environmental degradation from small-scale mining underscores the need for ethical gold practices. This challenge presents an opportunity to align sustainability with economic policy through the framework set by the Bank of Ghana, fostering responsible mining while enhancing financial resilience and thereby fostering confidence in Ghana's economy⁶. The Responsible Gold Sourcing Policy Framework, although set as a policy, and not law, comes at an opportune time, and is important to understand as it prospects to change how gold business, especially in the small-scale sector in Ghana is conducted.



Global comparisons

Ghana's DGPP stands out within the context of other countries' gold reserve management strategies, particularly in Africa. Ivory Coast, like Ghana, is a major gold producer, yet its specific gold purchasing strategies remain unclear. It has recorded zero gold reserves with its central bank according to reports,⁷ and although it along with its compatriots in BCEAO have set to create reserves⁸, has yet actualise this ambition. South Africa, one of the world's top gold producers, has developed various mechanisms to manage its gold reserves. The South African Reserve Bank engages in the buying and selling of gold on the international market to influence its currency and manage its reserves. However, this approach differs significantly from Ghana's DGPP, which focuses on directly purchasing gold from local miners to support its domestic economy. Ghana's DGPP, although unique in its direct engagement with local gold producers, with a clear focus on enhancing foreign exchange reserves, supporting the local economy, and stabilizing the currency is not new. Other countries such as Philippines, Mongolia, Ecuador and Ethiopia have set out DGPP programmes as well⁹. These countries have also outlined ethical sourcing schemes in the purchase of gold by their Central Banks. In the case of Mongolia, for example, the central bank is reported to promote adoption of its Fairmined Standard¹⁰ and to be aligned with the OECD Responsible Sourcing Standard. In Ecuador, the central bank will only buy gold-bearing material

from licensed miners who hold bank accounts with legitimate financial institutions and can issue invoices¹¹. On the other hand, in the Philippines, the central bank's ownership of an LBMA accredited refiner shows that its gold purchases are aligned with the LBMA's Responsible Gold Guidance (RGG) and are audited to this standard. Regarding Ethiopia – before the Tigray conflict intervened¹² – we understand that the central bank was careful to on-sell its gold in segregated parcels¹³. Presumably, this means that since the 'fingerprint' of gold from identifiable areas can be traced, if those areas remain free from the taint of conflict, this provenance information has the capacity to support ongoing due diligence if the right governance arrangements can be secured.

By purchasing gold, the Bank of Ghana strengthens its reserves, providing a buffer against economic shocks. This approach also offers domestic miners a stable and predictable market, fostering investment and growth in the sector. Furthermore, the accumulation of gold reserves can help stabilize the Ghanaian cedi, reducing reliance on foreign currency markets and contributing to economic resilience. Although the idea of DGPP along with an ethical sourcing policy is not new, Ghana remains ahead of other African Countries, who are also gold producers cementing its name as pioneer in the sub-Saharan.

Key Features of the Framework



Objectives of the DGPP



Enhancing Gold Reserves:

Doubling Ghana's gold reserves from the baseline of 8.74 tons.



Stabilizing the Economy:

Strengthening foreign exchange reserves and ensuring currency stabilization.



Supporting Ethical Mining:

Reforming ASGM practices to reduce environmental and social risks.



Leveraging Gold for Liquidity:

Using gold holdings for short-term foreign exchange liquidity and financing.

Gold for Reserves (G4R): Five Channels

- 1. Mining Firms – Refined Gold**
The BoG buys refined gold from domestic mining firms at London Bullion Marketing Association (LBMA) certified refineries using local currency. This purchased gold, classified as Monetary Gold is then moved to the Bank's bullion bank to bolster national reserves.
- 2. Mining Firms – Gold Forwards**
The BoG enters into gold forward agreements with domestic mining firms, advancing Ghana Cedis (backed by collateral security) equivalent to a USD amount for future delivery of refined gold at LBMA-certified refineries. Once delivered, the gold is transferred to the Bank's reserves.
- 3. Approved Gold Aggregators – Dore Gold**
Dore gold is sourced from identifiable, responsible domestic mines through approved aggregators. These aggregators undergo stringent due diligence conducted by the BoG and LBMA-certified refineries. The dore gold is validated by the Precious Minerals Marketing Company (PMMC) before being refined into Monetary Gold.
- 4. Approved Gold Buyers – Dore Gold for FX**
Dore gold is acquired from small-scale miners via approved buying agents who meet the BoGs sourcing and due diligence criteria.
- 5. Gold Off-takers and Local Licensed Gold Exporters (LGE)**
The BoG buys foreign exchange (FX) directly from off-takers and credits their Ghana cedis equivalent. These funds are then used by the off-takers to purchase and export gold, fostering local economic activity.



Gold for Oil (G4O) Initiative

The Gold for Oil (G4O) Initiative is a strategic policy implemented by the Government of Ghana to stabilize the nation's petroleum supply and reduce reliance on foreign currency reserves. Under this initiative, all dore gold produced by licensed AGSMs, including community mines, is purchased by the BoG. This gold is then utilized to pay for petroleum products either through barter arrangements or by selling the gold for foreign exchange (FX), which is subsequently used to finance oil imports. The BoG oversees the due diligence, compliance monitoring, and supplier engagement processes to ensure that the gold procured meets ethical and legal standards. This approach aims to enhance the country's foreign exchange reserves and promote economic stability.

Responsible Sourcing

Responsible sourcing procedures ensure that businesses acquire materials in a manner that is ethical, sustainable, and compliant with legal and social standards. These procedures are particularly important in industries like mining, where the source of raw materials can have significant environmental and social impacts.

The first step in responsible sourcing is to **establish robust due diligence systems**, ensuring that all suppliers adhere to ethical practices. This includes ensuring that goods are sourced from areas free of conflict, human rights abuses, or environmental degradation. Companies typically require suppliers to follow strict **ethical guidelines**, which include respecting labour rights, avoiding child or forced labour, and upholding environmental standards.

Risk identification and assessment follow, where companies map their supply chains to identify potential risks, such as sourcing from conflict zones or illegal mining activities. Once risks are identified, **risk management strategies** are designed, which may include working with suppliers to improve practices or seeking alternative sources for raw materials.

Third-party **audits and verification** ensure that suppliers are compliant with these standards. Regular audits can help detect discrepancies and provide transparency into the supply chain. Finally, companies are required to **report their due diligence efforts**, disclosing the measures taken to ensure responsible sourcing practices, thus ensuring accountability to stakeholders and the public.

These procedures safeguard against unethical sourcing and promote sustainability.

Know Your Customer (KYC) and Due Diligence (DD) Procedures

To ensure that procured gold aligns with ethical standards, the BoG implements rigorous KYC and DD procedures:

- **Internal Due Diligence:** Prospective suppliers must submit essential documents, including business registration certificates, tax clearance, and SSNIT clearance. The BoG reviews these alongside reports from the Minerals Commission and conducts AML/CFT checks.
- **External Due Diligence:** Independent third parties may assess suppliers' financial stability, governance, and compliance, ensuring their operations align with internationally accepted standards.
- **Risk-Based Due Diligence:** Focuses on traceability and legality of mining methods to mitigate risks.

Registration and Execution of Supply Agreements

The registration and execution of supply agreements are key steps in the DGPP to ensure a structured and compliant relationship between the BoG and its suppliers. Approved suppliers are first registered in the BoG's system, where they are required to meet all legal and regulatory criteria. Once registered, formal supply agreements are signed, which detail the terms and conditions of the gold supply process. These agreements specify key aspects such as pricing structures, compliance with ethical standards, and the suppliers' obligations regarding sourcing, transparency, and environmental practices. By formalizing these agreements, both the BoG and suppliers establish a clear framework for the entire supply chain, promoting accountability and minimizing risks. These contractual commitments ensure that the gold purchased adheres to Ghana's ethical sourcing policies and aligns with the overarching goals of the DGPP, including economic stability, sustainability, and responsible mining practices.

Requirements for Counterparties (Including Suppliers)

All counterparties, including mining firms, aggregators, and buying agents, must adhere to the BoG's Responsible Gold Sourcing Policy Framework. This includes compliance with legal mining practices, environmental sustainability, and social responsibility, aligning with international standards such as the LBMA's Responsible Sourcing Programme¹⁴

OECD Due Diligence Guidance for Minerals: Five-Step Framework

The OECD Due Diligence Guidance for Minerals provides a comprehensive framework that the Bank of Ghana (BoG) follows to ensure responsible sourcing and compliance within the DGPP. This five-step approach emphasizes transparency, ethical sourcing, and accountability throughout the gold supply chain.



- 1. Establish Strong Management Systems:** The first step involves suppliers implementing robust management systems to address key issues such as ethical sourcing, human rights, and anti-bribery measures. Suppliers are required to create and enforce policies that align with global standards, ensuring that all business activities within the gold supply chain are conducted with integrity. These policies are designed to minimize risks associated with illegal mining, human rights violations, and other unethical practices, fostering a culture of responsibility throughout the sector.
- 2. Identify and Assess Risks:** In the second step, the BoG maps and analyzes supply chains to identify potential risks, including sourcing gold from conflict-affected areas or suppliers involved in human rights abuses. This process involves conducting thorough risk assessments, with particular attention given to regions or suppliers where there is a likelihood of unethical practices. By proactively identifying and evaluating these risks, the BoG can take appropriate measures to mitigate them and ensure that the gold sourced under the DGPP does not contribute to harmful activities.
- 3. Design and Implement Risk Management Strategies:** Once risks are identified, the next step is to develop and implement targeted risk management strategies. The BoG works closely with suppliers to address these issues, collaborating to improve environmental practices, enhance traceability systems, and ensure compliance with ethical sourcing standards. This partnership ensures that the gold mined and purchased under the DGPP meets high standards of sustainability and legality, contributing to the broader goal of ethical gold production.
- 4. Conduct Independent Audits:** The fourth step involves conducting independent third-party audits to verify compliance with ethical standards. These audits are essential for ensuring that suppliers adhere to the policies and practices outlined in the first three steps. Third-party assessments provide an unbiased evaluation of the supply chain, helping to identify any gaps or areas for improvement. The results of these audits are used to inform further actions and adjustments within the DGPP framework, ensuring continuous improvement in the sourcing process.
- 5. Report Due Diligence Efforts:** Finally, the BoG publishes reports on its due diligence efforts, offering transparency and accountability to stakeholders. These reports highlight the steps taken to ensure responsible sourcing, the results of audits, and any challenges faced in managing risks. By making this information publicly available, the BoG fosters trust among the public, international organizations, and other stakeholders, demonstrating its commitment to ethical sourcing and responsible gold production. This step not only ensures transparency but also serves as a model for other countries and industries looking to adopt similar responsible sourcing practices.

By following the OECD Due Diligence Guidance for Minerals, the Bank of Ghana ensures that the DGPP operates with the highest standards of ethical and responsible sourcing, contributing to the sustainable development of the gold mining sector while mitigating risks associated with human rights violations, environmental damage, and illegal activities.

Risk Management

Risk management within the DGPP is a crucial aspect of ensuring the integrity and sustainability of Ghana's gold purchasing efforts. The Bank of Ghana (BoG) has identified key risks such as sourcing gold from illegal mines or regions associated with human rights violations. Red flags are raised when unusual transaction patterns are detected, prompting further investigation to ensure compliance with legal and ethical standards. To address these risks, the BoG employs a comprehensive assessment process, where risks are ranked based on their likelihood and severity. This evaluation helps prioritize mitigation strategies and ensures that resources are allocated effectively to manage potential threats.

In terms of risk mitigation, the BoG works closely with suppliers to develop improvement plans and provides support to resolve any compliance issues. When risks are identified, the Bank of Ghana collaborates with suppliers to ensure that corrective actions are taken, aiming to eliminate any potential sources of risk. However, if these risks remain unresolved despite efforts to address them, the BoG is prepared to terminate relationships with non-compliant suppliers, ensuring that the integrity of the programme is upheld. Through this proactive approach, the DGPP seeks to manage and mitigate risks, safeguarding both the nation's gold reserves and its broader economic goals.

Roles and Responsibilities

The successful implementation of Ghana's DGPP relies on clear delineation of roles and responsibilities among the key stakeholders involved. The Bank of Ghana (BoG) plays a central role in overseeing due diligence, compliance monitoring, and supplier engagement. As the governing body, the BoG ensures that all activities within the programme align with national regulations and global standards. Its responsibilities include monitoring suppliers to ensure they adhere to ethical and legal practices, conducting regular audits, and addressing any irregularities that may arise. By maintaining oversight, the BoG ensures the integrity of the DGPP and protects the national gold reserves.

Suppliers, on the other hand, are required to comply with strict ethical practices and provide accurate documentation related to the gold they supply. They must operate transparently and cooperate with audits and investigations as necessary. This collaboration ensures that gold purchases made under the DGPP come from legal and responsible sources, reinforcing the programme's commitment to sustainability and ethical mining practices. Suppliers are expected to maintain high standards of operation, ensuring that the gold they provide contributes positively to the nation's economy and does not fuel illicit or harmful practices.

The Compliance Committee serves as an additional safeguard within the DGPP framework, playing a crucial role in evaluating risks and ensuring that all parties adhere to the established standards. This committee is tasked with continuously assessing potential risks, monitoring the overall compliance of the programme, and taking corrective actions when needed. It works closely with both the BoG and suppliers to maintain the integrity of the programme, ensuring that all activities comply with both local and international laws. Together, these key stakeholders the BoG, suppliers, and the Compliance Committee work collaboratively to ensure the DGPP operates efficiently,

ethically, and in the best interests of Ghana's economy and society.

Sustainability and Community Engagement

The framework of Ghana's DGPP places a strong emphasis on sustainability and community engagement, recognizing the vital role these elements play in fostering long-term economic stability and growth. One of the primary priorities is reducing environmental degradation, a challenge that is particularly pressing in the gold mining sector. The programme encourages mining practices that minimize environmental harm, such as reducing the use of toxic chemicals and promoting more efficient and cleaner extraction methods. By prioritizing environmental sustainability, the DGPP seeks to ensure that gold mining activities do not come at the expense of the country's natural resources, thus preserving the environment for future generations.



In addition to addressing environmental concerns, the DGPP actively promotes ethical and sustainable mining practices across the sector. The framework encourages miners to adopt responsible mining techniques that respect both human and environmental rights, aligning with global best practices. This includes encouraging miners to avoid illegal operations, ensure proper labor conditions, and uphold health and safety standards in mining communities. By fostering a culture of ethical mining, the DGPP ensures that the benefits of gold production extend beyond the economic gains to include social responsibility and corporate accountability.

Equally important is the programme's commitment to enhancing the welfare of mining communities. The DGPP recognizes that the success of the gold industry should translate into tangible improvements in the lives of those who depend on it. As such, the framework includes initiatives aimed at providing miners with better access to healthcare, education, and essential infrastructure. It also advocates for the creation of job opportunities and skills training to ensure that mining communities can experience economic benefits that extend beyond the immediate extraction of gold. By addressing the needs of these communities, the DGPP helps build a more resilient and equitable sector, where the prosperity generated by gold mining is shared by all involved. In this way, sustainability and community engagement are integrated into the broader goals of the programme, ensuring a balanced approach to economic development, environmental stewardship, and social responsibility.

While Ghana's efforts in sustainability and ethical gold sourcing have strengthened the industry, the next phase will determine how these principles are reinforced at a national level. With the establishment of Ghana's Gold Board, a new layer of oversight and policy integration is set to shape the future of gold sourcing, bringing greater structure and transparency. **In Part Two**, we'll explore how this development, along with evolving economic policies, is expected to impact local mining communities and Ghana's position in the global gold market.

Glossary

- **ASGM:** Artisanal and Small-Scale Gold Mining.
- **Dore Gold:** Semi-pure gold alloy typically refined further.
- **KYC:** Know Your Customer.
- **DD:** Due Diligence.
- **LBMA:** London Bullion Marketing Association.
- **OECD:** Organisation for Economic Co-operation and Development.
- **Monetary Gold:** Gold refined to the international standard of 99.99% fineness.
- **RGDD:** Responsible Gold Guidance.
- **LGE:** Locally Licensed Gold Exporters.

Sources

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