

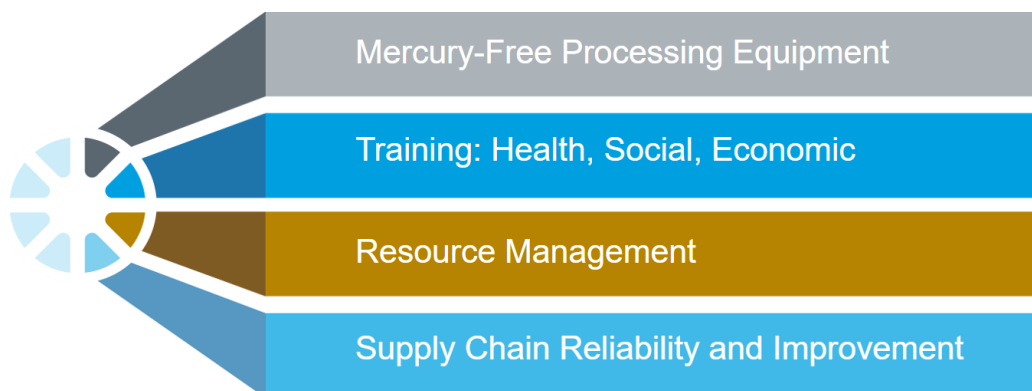
Webinar: Improving Access to Finance for Artisanal & Small-Scale Gold Mining

At the end of 2020, the planetGOLD programme, supported by the Global Environment Facility, held a webinar on one of the main challenges of the artisanal and small-scale gold mining (ASGM) sector: improving access to finance.

Here are the points of emphasis from the webinar, starting from the fundamentals to access to finance, the development of models, as well as some examples of existing models inside and outside the programme that can be applied to the sector. To watch the whole webinar click on this [link](#) or go directly to our YouTube channel where the recording is available in English.

Fundamentals of Access to Finance in ASGM by Firas Abbasi

The ASGM industry represents about 20% of annual gold production worldwide and about 100 million people rely on the income that comes from the sector. The financial requirements to make the sector sustainable and lasting, can range from the acquisition of mercury-free technologies to other key factors in formalization, training, resource management, health, and supply chain. The scale of challenges the sector faces vary from a few individuals alongside to a river, to actual central processing facilities. Individual assessments are used to enable the creation of a workplan and with it, the finance that is required for its completion.



Source: planetGOLD

[The ASGM sector during COVID-19](#) was impacted in key areas, particularly supply chain management. In many countries the supply chain collapsed, forcing artisanal miners, in some cases, into the black market. Areas that could use financing on that front include Due Diligence Systems and technologies that help traceability. Financing a reliable supply chain is essential to ensure a stable and responsible gold mining industry.

Globally, the three most common forms of finance in the sector are Informal Finance, Micro-finance and Private Capital. The planetGOLD experts have developed a multiple reports on the [options of](#)

[access to finance](#); and [unlocking finance for the ASGM](#) found in the knowledge repository in the planetGOLD website.

Barriers to Formal Finance:

In the planetGOLD experience, the most common barriers to enabling financial mechanisms are:

- *Access to Finance*: compliance with regulations, government support and business readiness requirements.
- *Providing Finance*: reputation and risks, high Due Diligence costs, lack of investable projects.

Addressing barriers:

Attracting private capital requires three main pillars:

- Having investable projects that can be understood, clear and certain cash flows or revenues.
- Governments' involvement in accelerating formalization, by enabling policy environment that help miners to maintain their legal status.
- Personalization of the mechanisms and the sources to the needs of the participant, and to identify the appropriate financing.

Experiences of Finance Models:

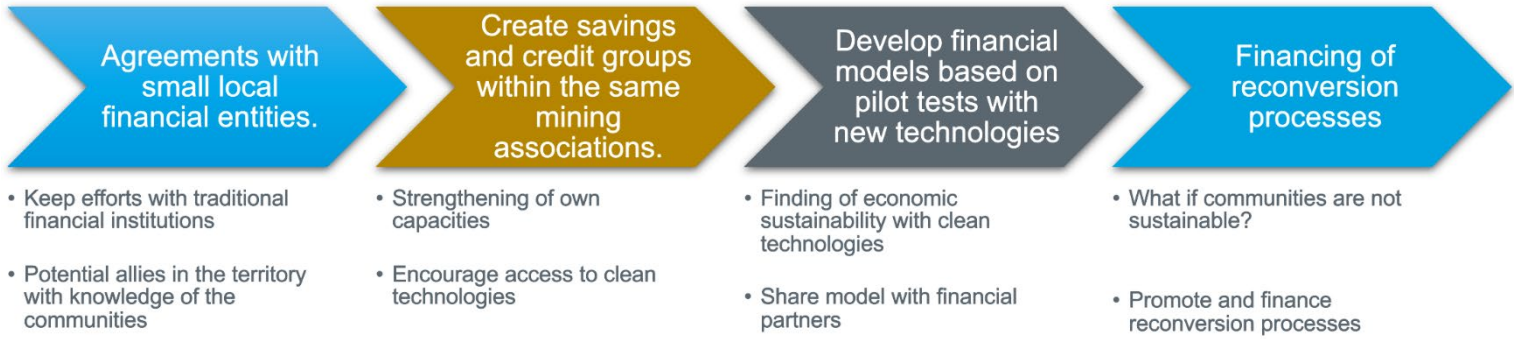
For the purposes of this webinar, three panelists and planetGOLD experts in financial mechanisms in their regions, South America, Indonesia and from the private sector, talked about the development of their financial models.

Increasing Access to Commercial Loans for ASGM. Manuel Hurtado, Finance Specialist planetGOLD Colombia.

The project in Colombia started by identifying their areas of focus in order to tailor a successful mechanism that was in compliance with the regulations and needs of the sector:

- Integrate as many actors in the commercial chain as possible.
- Collective selection of miners
- Guarantee a credit analysis methodology - adjusted to the sector
- Guarantee investment in **clean technologies**
- Guarantee commercial chain at fair prices
- Guarantee the recovery of the credit granted

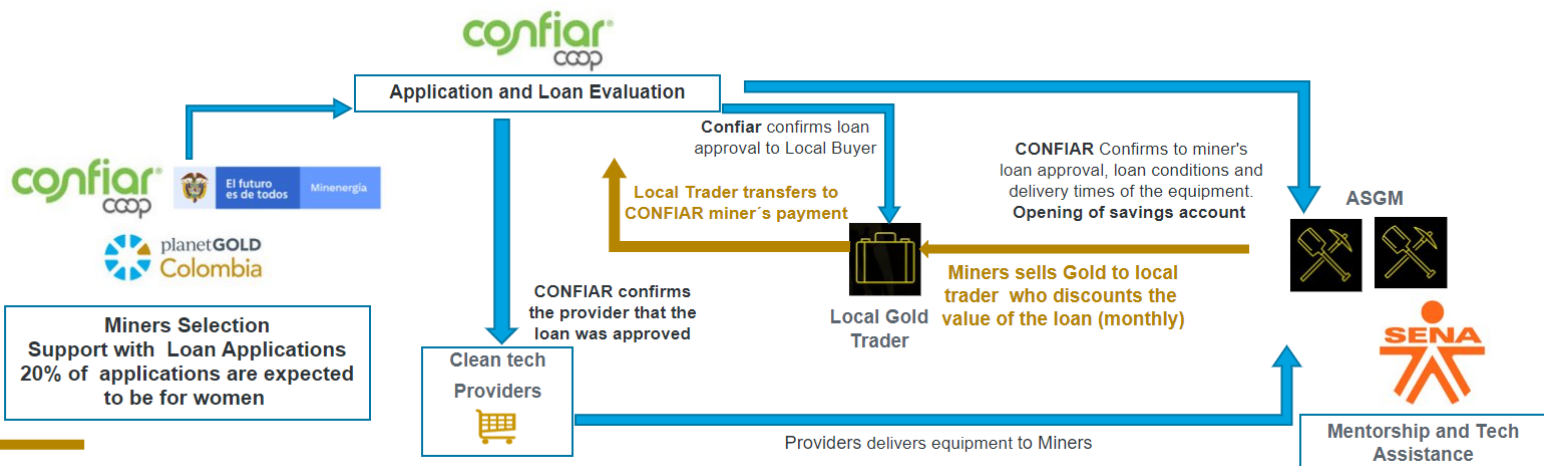
After these were identified, the project performed a baseline analysis, in order to understand what would be needed from the sites and miners. In the development of this analysis, the barriers that emerged were **high risk, sustainability, stability of the supply chain and formalization issues**. With a baseline, the next step was to find ways to tackle them that were both competitive and attainable.



A small miner who does not use mercury is a sustainable miner, who accesses the gold market and above all, who can access the financial sector as an entrepreneur, bringing sustainable and economic development for his community and trust and transparency to the sector

Source: planetGOLD

This was the process to develop the first pilot of financial mechanisms for artisanal miners in planetGOLD Colombia. The pilot is currently working with a group of artisanal miners called “barequeros” to finance clean technologies. The strategy works with local actors, involves the local financing entity, Cooperative CONFIAR, to provide the loan; a local supplier of clean technologies and local gold traders (supply chain). This entity, CONFIAR, provides not only the financial resources, but also training in the assessment of ASGM, and technical assistance along with the institution SENA in Colombia. Below is the full picture of the way the mechanism is operating.



Source: planetGOLD Colombia

Role of Government in Supporting Access to Finance for ASGM by Baiq Dewi Krisnayanti, planetGOLD Indonesia Project Manager

Due to the lack of knowledge about the sector, one of the main challenges for the creation of a successful financial mechanism was that Small-Scale Mining has not been a priority for financial entities and banks in Indonesia. The barriers identified by the assessment performed were legality aspects (formalization), weaknesses in the business management and inconsistency in gold production (supply chain).

As mentioned before, the importance of tailoring their needs, even when the barriers have commonalities, is a very important part for the effectiveness of a financial model. In order to overcome these challenges, the project mapped key players and the different approaches for banks and other financial institutions.

To enable banks, our experts identified three key players: government, banks and financial authorities.

- ✓ The government of Indonesia: to support legality through regulations of the Community Mining Area (WPR) and issue a Community Mining Permit (IPR).
- ✓ State Banks: to commit on financing for ASGM, supporting state credit insurance company and committing on flexibility of loan re-payment *(with the condition that miners prove their legality, through formalization).
- ✓ Indonesia Financial Service Authority (OJK): to develop the guidelines for the ASGM to access to financing scheme for financial entities/banks.

To enable financial non-banking entities, the project worked alongside the Revolving Fund Management Agency of Indonesia (LPDB); and the Government Investment Unit of Indonesia (PIP) which acts as the public agency under the Ministry of Finance.

- ✓ LPDB: provides the financing/loan assistances for the ASGM cooperatives
- ✓ PIP: provides Ultra Micro Loan assistance, and in collaboration with Pegadaian (Pawn Shop) for the distribution the loan to the miners *(miners with proved legal documents will facilitate the flexibility on the loan re-payment).

At planetGOLD Indonesia, after designing and enabling these mechanisms, the program works towards enhancing the capacity of the cooperatives and individual artisanal small-scale gold miners through trainings, guidebooks, reports and providing continuous support and expertise.

Direct Equity Investment Option by Suzette McFaul, CEO Clean Gold Community Solutions LTD.

On the private capital experience with the ASGM sector, Clean Gold (CGCS) found in their baseline assessment the barriers to accessing to finance were the same: formalization, lack of knowledge of the sector, de-risking the sector, clean technologies usage and business management.

The mechanism functions work by providing capital, community support for economic development and diversification, access to business knowledge, assisting on the access to clean technology and to a supply chain.

STEPS FOR FINANCING PROJECTS

01

Clean Gold develops a community relationship

02

Miners buy in

03

Clean Gold owned plant with miners is identified

04

Arrangement for equipment financing for the processing plant

05

The processing plant pays miners CGCS pays investors

Source: Clean Gold

The financial model developed in CGCS begins with the identification of the community of the miners, setting a baseline assessment for getting them to formalize. CGCS owns the processing plant through investors, the miners own 20% of the ore processed there. When the ore is sold, the profits (of that 20%) goes half to paying the miners as profit and half to re-paying the investors.

Fireside Chat Discussion Miranda Werstiuk, OCIM Precious Metal (Moderator)

Daniela Guerrero, Deputy Manager of Central Bank of Ecuador (BCE).

Q: How did the Central Bank decide to get involved in the ASGM sector; and how does the financial mechanism work?

A: The Central Bank of Ecuador is working with the National Development Bank (BanEcuador), miners and planetGOLD Ecuador. In the financial mechanism developed, the Central Bank grants loans to the miners, and this is payed off in part through the mined products.

BCE has worked in the ore trade since 2016, with the goal of supporting the formalization of ASGM, job creation and increasing the ore reserves of the country. BCE has granted a total of USD \$253 million for ASGM; and 20% of the total ore acquired by the bank comes from this sector.

Along with the National Development Bank, BCE developed a credit line for mining and a pilot for ASGM. In order to access these loans, miners have to follow due diligence requirements. By opening a credit line, the miners start the creation of a credit score which helps to mitigate risk in the sector. BCE buys the gold the miners produce at a fair price seeking to enable a long-term trade relationship.

Q: In your experience, what are critical barriers to entry for financing ASGM?

A: The lack of due diligence and non-existent credit records. Most of the ASGM miners operate in cash, and in some cases, on the black market.

Ron Thomas, MAR'S Consulting

Q: What are some ways credit risk can be mitigated for the ASGM?

A: From a private financial perspective, the ASGM sector doesn't fit most of the criteria for creditworthiness, and as such must find creative ways to mitigate the risk. One such route is putting the capital towards fixed assets. As we saw in one of the previous presentations, the private financier gets a level of security over the capital and the miner gets to use the fixed assets. At the same time, the investor gets a return on the capital.

Another aspect to consider is working with partners (such as local governments) on simultaneous projects in the same region. When a plant is fully utilized, the private financier has a higher likelihood of return on investment.

Q: In your experience, what are critical barriers to entry for ASGM financing?

A: There are two particular aspects for ASGM access to finance: formalization—the lack of legal compliance—and high credit risk.

Jaime Webbe, COO & Director of International Programs in CIRDI

Q: What kind of financing mechanisms and conversations have happened with financial entities in Guyana?

A: In terms of enabling environment, it is very important Guyana has a Women Gold Miners Association. There are a number of additional barriers to investing in women-led mines- in many countries the lack of assets, the lack of access to collateral, and the lack of employment of women in the sector. The goal of this Women Gold Miners Association is having a pool of well-qualified, vetted, investible women miners who are certified.

Q: In your experience, what do miners need to access finance?

A: It is important that the miners take the time to fulfill the requirements of formalization. It is challenging for ASGM communities given that the majority of them are struggling trying to make a livelihood. In this context, it is easier for some of them to get cash payments from the black market and the informal sector than having to go through a financial entity with a more complex structure.

Matthew Chambers, Chambers Federation

Q: From your private investment group and family group perspective, given these risks, what prompted you to get involved in investing in the sector?

A: We invest in communities and in people, and they drove us to ASGM; we don't typically target specific sectors. Around 13 years ago, we were working with youth groups that were farming in Western Kenya, during that same time the price of gold had dramatically increased, and some of these groups went from farming one day to digging for gold the next.

We are now investing for the most part our own money and we take a hands-on approach. We travel to these sites to complete our own due diligence and to see the people that we're working with.

The sector definitely has a unique high-risk profile, but as most professional investors, we have a diverse portfolio. There's a reasonable argument that investors can set aside that higher risk and allocate their capital towards a sector with over 40 million people.

Q: In your experience, what do miners need to access finance?

A: First, I think miners should pay greater attention to who they are selling to and the impacts to their communities, and formally adopt systems (such as the CRAFT Code). They need to weigh in what is more convenient for them in the long-term. Second, I think the burden isn't really on the miners, but rather us to develop valuable propositions for the sector to engage the supply chain, we need to work on stronger-more-organic approaches.

Q&A:

The list of questions and answers asked in the chat that didn't get answered during the webinar can be found [here](#).

Conclusion by Miranda Werstiuk, OCIM Precious Metals (Moderator)

This webinar enabled an outstanding discussion on how to creatively, sustainably, and long-term fund ASGM from the different types of finance. The excellent work being done on multiple initiatives globally touched on very important elements to financing the sector: creative solutions, engaging the community, building synergies, transparency, supply chain and the broader economic impact of the ASGM activities. We covered multiple different mechanisms from various financial sources and how they were developed.

At planetGOLD we are looking for investors who believe in the mission and would like to work with us on our first success story. This work has minimal time commitments – four to five meetings per year, as a small working group over the next three years. We welcome and/or encourage impact investors, or investors that wants to make an impact, to contact us: finance@planetgold.org.



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