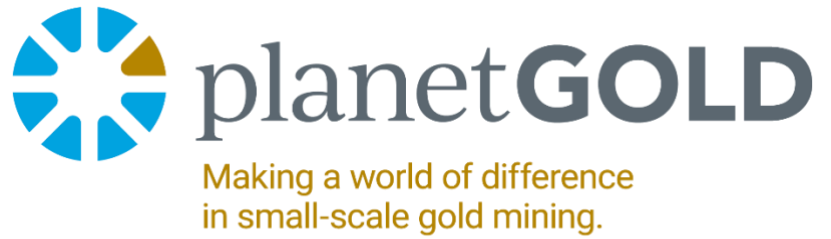


Case Study



A GEF Initiative

# Documentation of planetGOLD Mongolia ASGM Financial Inclusion Interventions

Supported by:

Led by:

11 Feb 2024 / Version 1.0



## About the Authors

This report was authored by David Sturmes-Verbeek and Candice Jumwa from The Impact Facility for Sustainable Mineral Communities (TIF) in the context of a consultancy led by TIF and supported by the Alliance for Responsible Mining (ARM) to document the finance models implemented by planetGOLD phase one countries in artisanal and small-scale gold mining (ASGM) communities, with a consideration of the gender aspects of the projects. Thank you to the planetGOLD country implementation teams for providing their input and sharing the resources relevant to the write-up of this report.



Established in 2018, TIF is a UK-registered charity with the mission of 'Turning Minerals Wealth into Community Prosperity.' With active programs across East and Central Africa, TIF has specialized in engaging and investing in professionalizing artisanal and small-scale mining communities. In East Africa, TIF takes an incentive-based and investment-led approach to SME development, leveraging blended finance and responding to the growing demand for responsibly produced metals and minerals from downstream users and the impact-investment community to effect an equipment lease-to-purchase program.

For more information, please visit: [www.theimpactfacility.com](http://www.theimpactfacility.com).



Founded in 2004, ARM aims to establish responsible mineral supply chains. ARM envisions a legitimate, responsible, and profitable Artisanal and Small-scale Mining (ASM) sector that promotes inclusive and sustainable development in rural areas. ARM implements projects in Latin America, the Caribbean, Africa, and Asia, supporting 8,055 miners in adopting better mining practices. ARM's Sustainable Mines program facilitates collaboration towards a positive transformation of the ASM sector, offering a progressive route to responsible, profitable, and sustainable mining operations by adhering to ARM's Voluntary Sustainability Standards: the CRAFT Code and Fairmined.

For more information, please visit: [www.responsiblemines.org](http://www.responsiblemines.org).

# Table of Contents

- 1 Executive Summary.....5
  - 1.0 Description of the Intervention.....6
    - The following section discusses the planetGOLD Mongolia project's intervention to address artisanal miners' access to finance. ....6
    - 1.0.1 Background Relevant to the Intervention .....6
    - 1.0.2 General Approach and Main Intervention Activities .....7
    - 1.0.3 Target Areas and Target Groups .....8
    - 1.0.4 Partners and Key Stakeholders .....8
    - 1.0.5 Main Activities and Outputs/Achievements.....9
    - 1.0.6 Sustainability.....15
  - 1.1 Cross-cutting Issues. ....15
    - 1.1.1 Gender .....16
    - 1.1.2 Local Communities .....16
    - 1.1.3 Environmental Issues (beyond mercury) and Climate Change Issues .....16
    - 1.1.4 Human Rights.....16
  - 1.2 Findings, Observations, Lessons Learned, .....17
    - 1.2.1 Project Highlights .....17
    - 1.2.2 Suitability of Intervention Design.....18
    - 1.2.3 Specific Factors for Success .....19
    - 1.2.4 (Potential) Factors for Failures.....19
    - 1.2.5 Recommendations for Future Interventions .....19
  - 1.3 Annex: Documents Reviewed .....20

## Abbreviations/Acronyms

<b>Abbreviation/Acronym</b>	<b>Definition</b>
<b>ASGM</b>	Artisanal and Small-scale Gold Mining
<b>ASM - NF</b>	Artisanal and Small-scale Mining National Federation
<b>BVK NGO</b>	Baatar Vangiin Khishig Kholboo NGO
<b>FRC</b>	Financial Regulatory Commission
<b>MFPS</b>	Mercury-Free Processing System
<b>NBFI</b>	Non-Banking Financial Institutions
<b>NGO</b>	Non-Governmental Organization
<b>SCC</b>	Savings and Credit Cooperative

# 1 Executive Summary

The ASGM community in Mongolia has been through various legal and political shifts. Since 1990, the ASGM sector has faced social stigma and negative perceptions and struggled through regulatory uncertainty between 2019 and 2022. Despite the formalization of the ASGM sector, the financial institutions remained hesitant to support the artisanal miners due to perceived risk and collateral insufficiency.

To address these and other issues, the planetGOLD Mongolia project, launched on the 1st of January 2019, conducted a series of strategic interventions to support miners' access to finance opportunities. They include various business development and financial management training, advocacy efforts such as media engagement through articles, co-organizing of forums, and individual meetings with financial institutions to improve and garner support for the ASGM sector among financial institutions and other stakeholders.

Executed by the Artisanal Gold Council (AGC), the planetGOLD Mongolia project is implemented by the United Nations Industrial Development Organization and the United Nations Environment Program (UNEP).

At the center of these interventions is the development of the social enterprise model, which is the establishment of a Savings and Credit Cooperative (SCC). This model is tied to the introduction of MFPS (Mercury Free Processing System), and the SCC is designed as a revolving fund dedicated to providing finance to miners, thus improving their mining activities. In other words, the SCC aims to function as an "ASGM Fund" by giving artisanal mining-related loans to miners. The model includes contributions from miners, financing from the MFPS, and the operation of the SCC after obtaining a permit from the Financial Regulatory Commission (FRC).

The key stakeholders of this model are artisanal miners, processing plants, and the local government. A contextual study on the ASM sector in the country was used to identify the beneficiaries of the project's interventions. The project focused on the Mandal soum (sub-province) and its Tunkhel village, engaging around 300-400 miners. The Baatar Vangiin Khishig Kholboo NGO (BVK NGO) played an essential part in representing the miners' interests and introducing this model to the miners in Tunkhel. Established in 2010, the BVK NGO serves as the main organization representing the miners of Tunkhel village. On behalf of the miners, the NGO acts as a signing body into mining contracts with the local government.

Aside from miners benefiting from accessing loans from the SCC, the processing plants will receive responsibly mined ore from artisanal miners to support their continuous operation. This incentivized support from each stakeholder contributes to a collaborative environment, promoting mutual assistance and cooperation. In addition to the efforts to raise awareness and establish the model, the project not only prioritizes the financial needs of the miners but also touches upon the issues

regarding gender, environment, and human rights. By integrating the MFPS into the model, the project is advocating for responsible mining practices and environmental responsibility by actively engaging artisanal miners and the local community.

Furthermore, by implementing the CRAFT Code/planetGOLD criteria, the project will ensure that human rights and other related concerns are addressed. In addition, the SCC will operate as a democratic entity designed to protect and fulfill its member's rights and needs, and the decision-making process will include all members, safeguarding their rights and interests.

## **1.0 Description of the Intervention**

The following section discusses the planetGOLD Mongolia project's intervention to address artisanal miners' access to finance.

### **1.0.1 Background Relevant to the Intervention**

Since 1990, artisanal miners in Mongolia have faced social stigma due to environmental damage caused by their inexperienced activities during the economic transition, as many turned to mining for survival in areas with limited job opportunities.

In 2010, the Mongolian Government passed a Regulation on “Procedures for Artisanal Mining Operations” and legalized the entire sector. The Regulation was amended and improved in 2017. However, between 2019 and 2022, the government suspended key clauses of the Regulation, resulting in a temporary halt in issuing new ASGM land permits and the continuation of the expired ones. This led to the emergence of informal miners and an unstable legal environment surrounding the ASGM community, echoing a message that the ASGM sector still lacks proper approval and support from the government.

The planetGOLD Mongolia project started its operation just before the suspension. The project staff visited four commercial banks and two non-banking financial institutions (NBFI) to discuss possible financial services and support for artisanal miners. However, financial institutions found the artisanal mining sector unattractive due to the unstable legal environment, lack of government support, unreliable geological information, and the seasonality of operations. They deemed it risky to offer financial services or investments without sufficient collateral, citing discouraging responses and unfavorable timing.

Equity investment in ASGM is not viable in Mongolia, as the ASGM land is defined as common access land, and the miners do not hold the land title. This deters external formal investments, as the land cannot be collateralized. Additionally, investors cannot participate in the ASGM organization with shared ownership, as the regulation requires

that members of the mining partnerships be local citizens of the province. At the same time, anyone seeking to invest should become a member of that partnership, making it exclusive to citizens of the province. This causes a barrier, preventing individuals from outside the province, including potential investors from Ulaanbaatar or even foreign countries, from participating and limiting the potential for investment in the ASGM.

Due to these challenges, many artisanal miners, without access to finance, often negotiate orally with local processing plants or gold traders to finance their needs and engage in deals that often put them at a disadvantage. This relationship is only viable on the local community level, as gold traders in the capital city would be hesitant to give private loans to artisanal miners. Only gold traders in rural areas would be willing to provide loans to artisanal miners based on their history of gold transactions and extended engagement with the miners.

The planetGOLD Mongolia is working to enable access to finance available for artisanal miners. Therefore, the project has organized various training sessions for miners to improve their financial and business development knowledge. It has also developed a social enterprise model for its partnering organizations to help meet their financial needs. Since support from financial institutions and local and state governments is almost nonexistent, the project aimed to solve the problem within the community by establishing a Savings and Credit Cooperative. The details of the training, social enterprise model, and other interventions are explained below in the following sections.

## **1.0.2 General Approach and Main Intervention Activities**

The main intervention that the planetGOLD Mongolia project engaged with is the development of a savings and credit cooperative.

Under Component 3 – Improved Practices, the project is introducing improved practices and a system that will eliminate mercury use, known as mercury-free processing systems (MFPS). Concerning the installment of the MFPS, the project team, under Component 2, has developed a Social Enterprise Business Model for the ASGM community in Mandal soum, Selenge province, to support their financial access.

As per the model, the processing plant will pay out a certain loan amount in return for all the investment made into the MFPS by the project to the newly formed Savings and Credit Cooperative (SCC). The SCC would be a financial institution owned and operated by the miners themselves and will essentially function as an “ASGM Fund” to assist member miners in improving their mining operations by funding equipment, training, consultancy services, maintenance, etc. In turn, the ASGM community is required to comply with the CRAFT Code/planetGOLD criteria and supply responsibly mined ore to the MFPS.



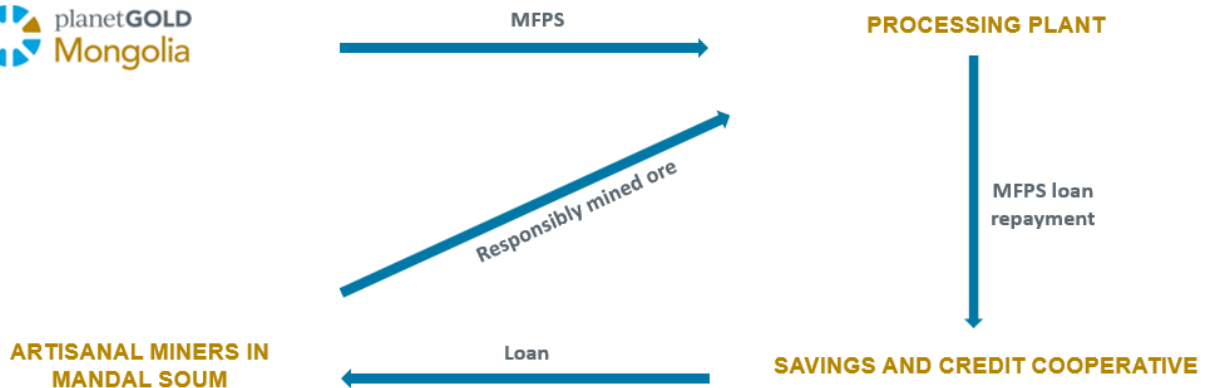


Figure 1. Social Enterprise Model

Through extensive discussions and consultations with the miners, they agreed to establish the SCC and are currently in the process of registering it and obtaining a license from the Financial Regulatory Commission (FRC). Once licensed, miners can save and borrow through the SCC for various financial needs. Loan payments will support mining-related activities, and miners can use their saved amounts for specific purposes outlined in the cooperative rules.

### 1.0.3 Target Areas and Target Groups

The Social Enterprise Business model targets the miners in Mandal soum, Selenge province, and the two processing plants in both Tunkhel village and Mandal soum center. These areas are currently home to approximately 300-400 artisanal miners who engage in artisanal mining operations in Noyot Mountain and Bulag mining site.

The mining community was selected based on the following criteria: 1) political risk and impact, 2) willingness to work responsibly with the project, 3) ore sources, production capacity, and infrastructure, 4) formalization, and 5) potential beneficiaries with access to the MFPS. The Tunkhel miners also have a non-governmental organization called Baatar Vangiin Khishig Kholboo NGO (BVK) to voice their opinions and protect their rights. The BVK has been the central organization representing the artisanal miners of Tunkhel village since its founding. Established in 2010, the NGO has 180 members (26F;164M) from four registered and 32 unregistered partnerships. On behalf of the miners, the BVK acted as a signing body in mining contracts with local authorities.

### 1.0.4 Partners and Key Stakeholders

The key stakeholders of the model are miners in Tunkhel and Mandal, the local government, and the Tunkhel and Mandal processing plants. The project is improving the Tunkhel processing plant through the operating entity Positive Mind LLC and the Mandal processing plant through the Shijir Khishig Partnership to benefit the local mining



community and signed Memorandums of Understanding with both plants.

The local government includes the provincial, soum, and village governor's offices. The project maintains strong ties with these stakeholders, keeping them updated on project activities. The local governments anticipate increased employment through efficient MFPS and profitable SCC operations. They also stress environmental protection, mercury reduction, and responsible mining. These positive outcomes aim to serve as a model for other regions, demonstrating good practices and responsible approaches.

## **1.0.5 Main Activities and Outputs/Achievements**

### **1.0.5.1 Status of ASGM financing prior to intervention and financial needs assessment**

Formal financial institutions like banks and non-banking financial institutions refrain from giving loans to ASGM miners due to their high-risk profile and as such do not have loan products specific to the sector. However, if the miner wants a loan for other reasons outside of mining, they can obtain it by providing collateral to the bank, most commonly their land, house, or vehicle.

The typical financing for artisanal miners revolves around informal loans from processing plants, gold traders, and family members, usually paid off later with the gold sold at a discounted rate, sometimes 40% less than the central bank rate. The loans are meant to fund daily costs associated with mining, such as gas, food, dwelling, or small equipment, although some miners ask for a small loan from the above entities to fund their daily household expenses. The loan limits are usually constrained and determined on their period of mutual agreement, partnership, and past loan experiences. These entities play the leading role regarding financial services in the ASGM community.

Seasonality also affects ASGM, with miners being unable to mine during extremely cold or hot seasons. Therefore, when the miners urgently need money during an inactive mining period, they borrow high-interest rate loans from private lenders, further troubling them with financial challenges. Since formal loans directed towards establishing and developing better mining practices among the ASGM community are nonexistent, miners are usually trapped in the poverty cycle. Miners typically wish they could access some kind of banking services with favorable conditions designed explicitly for miners, considering their mining operations and challenges.

### **1.0.5.2 Financial education:**

The project team has organized four training sessions among the partnering organizations, three on business development and one on financial management to help them learn about financial literacy, business management, and planning. The three

business development trainings were developed based on several different training modules and materials, namely the planetGOLD Business Plan Development Toolkit<sup>1</sup>, International Labor Organization's "Start and Improve Your Business"<sup>2</sup> (SIYB) training, World Vision's "Savings Group Development" training, and APEC and AGC's "Small Business Management in the ASGM Sector"<sup>3</sup> training.

The objective of the business development training was to change the miners' mindset to see ASGM and their partnership/cooperative as a small business and equip the miners with the knowledge on how to become successful entrepreneurs, understand the legal liabilities of an ASGM organization, learn how to perform simple accounting and planning for their mining operation, crucial for securing investment in the future. The training also aimed to provide information and knowledge about saving from mining income and establishing a savings group.

planetGOLD Mongolia Investment Specialist and trainers from the Artisanal and Small-scale Mining National Federation conducted the training, where 73 miners (33F; 40M) from Gobi-Altai, Selenge, and Khovd provinces attended.

The financial management training was held under the topic of "Financial Freedom and Savings and Credit Cooperative." The training was conducted by a consultant experienced in business training and savings and credit cooperative establishment. The training explained the importance of financial independence and knowledge with real-life examples. Discussion of different legal entities to help achieve financial goals for miners was also brought up during the event. 35 miners (20F; 15M) attended the training and expressed their positive feedback regarding their experience.

In addition to the above, the project developed a social investment plan (SIP) template for a partner organization for future investment pitches and created business booklets for artisanal miners to support their daily engagement with activity recording for better business management.

---

<sup>1</sup> planetGOLD Mongolia (2022) *Mongolia Business Training*. Available at: <https://www.planetgold.org/sites/default/files/planetGOLD%20Mongolia.%202022.%20Mongolia%20Business%20Training.pdf>

<sup>2</sup> International Labour Organisation (2015) *Start Your Business: Manual*. Available at: [https://www.google.com/url?q=https://www.ilo.org/empent/areas/start-and-improve-your-business/WCMS\\_436201/lang-en/index.htm&sa=D&source=docs&ust=1703149844054424&usq=AOvVaw3tztT4eKxVZH2bytVN-QOP](https://www.google.com/url?q=https://www.ilo.org/empent/areas/start-and-improve-your-business/WCMS_436201/lang-en/index.htm&sa=D&source=docs&ust=1703149844054424&usq=AOvVaw3tztT4eKxVZH2bytVN-QOP)

<sup>3</sup> Asia Pacific Economic Cooperation (APEC) and Artisanal Gold Council (AGC) (2019) *Small Business Management in the Artisanal and Small-Scale Gold Mining Sector*. Available at: [https://www.planetgold.org/sites/default/files/2019-12/APEC%20Business%20Training%20Complete%20Curriculum\\_20190607-WEB.pdf](https://www.planetgold.org/sites/default/files/2019-12/APEC%20Business%20Training%20Complete%20Curriculum_20190607-WEB.pdf)



Photo 3. "Financial freedom and Savings & Credit Cooperative" training

### 1.0.5.3 Description of the type of financial mechanism(s) piloted

The financial mechanism is the savings and credit cooperative that would function as a revolving fund. According to the current Memorandum of Understanding (MoU) signed between the processing plant and the project, the parties have agreed for the processing plant to work with the miners to provide as many benefits to them as possible, with the help of the new equipment provided by the project. The equipment includes crushers, mills, tanks, and shaking tables.

Also, as mentioned above, the MFPS is obliged to fully repay the project for the assistance provided. In addition, the project and the stakeholders will develop a set of criteria and standards for the partnerships and miners who want to be part of the SCC, such as being a genuine artisanal miner, a member or a former member of the BVK NGO, confirmation letter from the BVK NGO board, confirmation letter from the local soum governor, and an agreement to adhere to planetGOLD criteria/CRAFT Code in their mining operation, among other requirements. It is important to note that these criteria are not firmly established, and the final criteria will be determined once the SCC is legally established and has obtained its permit.

When calculating the profits of the MFPS, a certain amount will be allocated to address the depreciation of the equipment and secure enough savings to cover equipment usage, replacement of parts, running costs, and salaries of employees. The rest will be their profit and a portion of it will be transferred to the SCC to be used for the miners' financial needs. A concept note has been established outlining this structure.

The project initially organized a meeting with miners in Tunkhel on May 8, 2023, and introduced the Social Enterprise Model to them. After various meetings and consultations, the miners expressed their willingness and agreed to establish a Savings and Credit Cooperative (SCC). The cooperative was established with 22 founding members (16F;6M) from Tunkhel village. They will eventually expand to other artisanal miners of Mandal soum after obtaining their special licensing permit to operate as a savings and credit cooperative. To operate as a savings and credit entity, the cooperative must apply for a special license from the Financial Regulatory Commission (FRC). This process is now ongoing.

#### 1.0.5.4 Socialization of mechanism

As mentioned in the "Financial Education" section, the financial management training was held under the topic of "Financial Freedom and Savings and Credit Cooperative." The training module included the pros and cons of establishing an S&C cooperative and provided tips and insights on successfully running one. Outside of this, planetGOLD Mongolia has taken the following approaches to improve the understanding of the ASGM sector and its potential amongst the public, financial institutions, and other stakeholders:

- a) Engagement with Financial Institutions: The project actively seeks engagement with financial institutions for the possible establishment of financial support for artisanal miners. The team has met with four commercial banks (Golomt, Capiton, TransBank, and Khan Bank) and two NBFIs (Gyals and Bers NBFIs). Unfortunately, all showed their unwillingness to create financial products specific to artisanal miners due to their high-risk profile and lack of information and support from the government.
- b) Media Engagement: The team published an article in the Mongolian Mining Journal and "Daily Paper" newspaper about the hardships and needs surrounding the artisanal mining community's engagement with financial institutions and investments. These articles also touch on specific situations surrounding the ASGM sector and how the issue extends beyond an individual artisanal miner and becomes a socio-economic concern at both the province and national level. The project also conducted two morning meetings with the journalists and continued to emphasize the importance of financial access.





Picture 1. Morning meeting with Journalists

Throughout the session, the team actively endorsed advocacy efforts, and the representatives from mining partnerships also shared their challenges in operating artisanal mining operations. More than 24 media organizations and outlets participated in the meetings, and some articles (see *Annex 1*) addressing the key topics were published.

- c) Participation in Public Fora: In 2021, the project participated in the Metal Mongolia Expo to present and express views on the issue of ASGM and its access to finance. The presentation was delivered to all the LSM and International organizations participating in the expo.

In 2022 and 2023, the project successfully co-organized a Precious Metals Forum. The forum brought all stakeholders along the gold supply chain to discuss the challenges unique to each participant. The purpose was to gain a comprehensive understanding of the challenges in the sector. During the forum, the project continued raising awareness among policymakers regarding the daily struggles that artisanal miners face. This included hardships in the formalization process and limitations associated with financial access. Approximately 60 representatives from various government agencies and non-government organizations participated, including the Financial Regulatory Commission, Bank of Mongolia, the Ministry of Culture, Customs Agency, Taxation Agency, Artisanal and Small-scale Mining Federation of Mongolia (ASM NF), and Associations of Jewelers, jewelry sellers, and gold traders.

The Project team also successfully organized ASGM Fora in three provinces, Gobi-Altai, Selenge, and Khovd, in collaboration with relevant government organizations. These fora also addressed broad subjects within the ASGM sector, specifically focusing on the formalization, legal environment situations, and artisanal miners'

financial needs. The advocates emphasized the need for governmental support to improve artisanal miners' financial standing. 146 (87M; 59F) representatives from state and local government, non-governmental organizations, and mining partnerships attended the fora.



Picture 2. Panel discussion at the Precious Metal Forum-2023

### 1.0.5.5 Performance of mechanism

The mechanism still needs to be mobilized. However, the basic process will be that miners will submit their ore to the processing facility, which will charge an agreed fee. The proceeds from the MFPS, minus the percentage of profit for the original owners, will be invested in a savings account to be used by the miners for clearly pre-defined investment purposes. Since the savings will be modest, it is not expected that the revenue from the MFPS will be used for large capital projects such as opening a new shaft. Instead, the fund will be used to buy protective equipment, support other business activities, purchase productive equipment (small power generators, excavating equipment, etc.), maintain the equipment, etc.

Even though the new cooperative has been established, it has yet to obtain its license for a financial institution. Currently, to establish the cooperative, each of the 22

members contributed 100,000 MNT (~29 USD) each, and that amount will be the equity of the miners. Any new member who joins the cooperative will also pay 100,000 MNT. In addition to both member contributions and their savings, the SCC would be financed from the MFPS, as described above in Figure 1. Since the MFPS installments are still ongoing and the final investment amount is yet to be fully determined, the total repayment amount back to the SCC has not yet been determined. However, this amount and other related information will be available soon as the MFPS improvement is finished, and agreements are made between the stakeholders.

## 1.0.6 Sustainability

The cooperative will benefit its members and the community through its openness to enlist additional community members and the principles that underlie it, as shown below:

- *Concern for the community:* All policies put forward by a cooperative should reflect a concern for the community surrounding it.
- *Voluntary, open membership:* Any artisanal miner who wishes to become a member of the cooperative and use its services is welcome to do so, regardless of their gender identity, race, religion, or social status. The main requirement for membership is that a person is willing to accept the responsibilities outlined in the internal rules and procedures specific to the cooperative itself. This will include paying a membership fee, actively attending meetings, informing other members if they are a member of a similar cooperative, and adhering to other responsibilities mentioned in the internal rules document.
- *Democratic member control:* Members of the co-op will organize and control the group, decide on its leadership, and can vote on policies and practices.
- *Member economic participation:* Every member contributes to the capital of the co-op and shares in any profits earned by the cooperative.
- *Independence and autonomy:* When the cooperative collaborates with another organization, it will do so with the understanding that it will maintain its democratic member control and autonomy.
- *Information, education, and training:* The cooperative will educate its members to help them contribute to the co-op's development. They also work to educate the public, government officials, and others about the nature and benefits of cooperatives.
- *Cooperation between cooperatives:* The cooperative will strive to work together to benefit its members and the community in which they operate.

# 1.1 Cross-cutting Issues.



## **1.1.1 Gender**

The model also actively addresses gender issues. Since the SCC has an open membership policy as long as the member is an artisanal miner from Mandal soum, the project advocates for inclusivity by ensuring equal access regardless of gender. Due to the context-specific characteristics of the Mongolian ASGM sector that women are more educated and are active in leadership (See Gender Mapping Report<sup>4</sup>), the project expects more engagement and contribution from women miners despite their 30% underrepresentation in the sector.

In addition, preference can be given to women leaders to ensure their meaningful participation and empower them to act as strategic drivers of this body. Furthermore, since the partnering organizations are implementing CRAFT Code/planetGOLD criteria standards, the risks associated with discrimination against gender, gender-based violence, child labor, and labor exploitation are assessed and prevented.

## **1.1.2 Local Communities**

The social enterprise model is designed for the local community of Mandal soum and Tunkhel village. The whole financial mechanism revolves around the artisanal miners operating in Mandal soum or part of the BVK NGO.

## **1.1.3 Environmental Issues (beyond mercury) and Climate Change Issues**

Since the stakeholders of the financial mechanism are all interconnected, this mechanism will help reduce the environmental damage that could be impacted by the miners. The MFPS will have increased capacity and productivity and will not use hazardous chemicals. Furthermore, MFPS in Mandal will use a dry grinding mill and both MFPS will recycle back 65% of its tailings pool. The project has further been socializing miners on the need for environmentally sound mining practices.

The artisanal miners who wish to borrow from the ASGM fund/the SCC will have to fulfill several criteria, which include formalization, compliance with current laws, and the CRAFT Code, which emphasizes environmentally responsible mining, including the exclusion of harmful and hazardous chemicals, developing, and implementing an environmental rehabilitation plan. The project is supporting the processing plants in developing an Environmental Impact Assessment document and seeking approval from the respective government agencies.

## **1.1.4 Human Rights**

---

<sup>4</sup> planetGOLD Mongolia (2021) *Gender Mapping in the Artisanal Gold Mining Sector in Mongolia*. Available at: [https://www.planetgold.org/sites/default/files/CS\\_Report\\_Gender\\_08\\_06\\_2021.pdf](https://www.planetgold.org/sites/default/files/CS_Report_Gender_08_06_2021.pdf)

As mentioned above, the beneficiaries of the SCC will have to adhere to CRAFT Code/planetGOLD criteria standards, which has human rights issues as a founding principle.

## **1.2 Findings, Observations, Lessons Learned,**

### **1.2.1 Project Highlights**

The planetGOLD Mongolia is the first project in Mongolia to raise the issue of investment and access to finance for artisanal miners. Other development projects and pro-ASM organizations mainly focus on the organization formalization, and ways for the miners to shift to alternative livelihood.

However, even though the project emphasizes the importance of investment into the ASGM sector and actively advocates for the possibility of financial access so that artisanal miners can grow into small-scale or even medium-scale mining organizations, the view of the government still differs as there is a tendency from the government to limit opportunities for artisanal miners by controlling their access to land, access to government services and access to financial services. Furthermore, the financial institutions and the general public are not aware of the potential of the ASGM sector. The project is usually seen as an icebreaker and even as a dreamer in the eyes of the above-mentioned stakeholders.

This is one of the biggest achievements of the project: showcasing ASGM to stakeholders as a viable sector worthy of being deemed as a responsible, environmentally sustainable business and a contributor to the national economy, not as a marginalized social group stuck in a cycle of poverty. The other project highlight is that the business management training also served the same objective of socializing ASM activities as small and medium-sized enterprises (SMEs), fostering an entrepreneurship mindset that focuses on sustainable long-term success rather than a short-term income stream. This training encouraged the calculation and recording of their income and expenses and cultivated a culture of making savings.

Although the legal environment and other conditions didn't allow the creation of a successful ASGM fund, the project found the most suitable, perhaps the only viable business model, which is the current model of forming a Savings and Credit Cooperative, to be funded by the processing plants, who in turn are receiving assistance from the project. The project sees this as the most viable solution to let the stakeholders build a business and showcase that the ASGM is worth investing in, considering the current regulatory conditions and financial market situation.

Like any development project, the path to the current project status has not been smooth. planetGOLD Mongolia has been through many obstacles when it came to choosing the current sites and the processing plants to improve; these include the Russia-Ukraine war, COVID-19, constant changes in government partners, and the ban of artisanal mining activities in the period 2019 to 2022.

## 1.2.2 Suitability of Intervention Design

As emphasized, equity financing is not viable in the Mongolian ASGM sector. The legal environment does not allow sharing of the gold deposit or ASGM land or passing it onto other entities. The ASGM organization, whether it is cooperative or partnership, should only consist of individuals who are citizens of the province, which means any person who wants to have a stake in the land cannot become a member of the ASGM organization if they are not a citizen of that province. These issues and obstacles impose a grave deal on the miners, refraining them from developing as a business and attracting investment from outside. Therefore, the intervention of the social enterprise model suits the current situation.

The current choice of sites was made in the context of limitations due to the ban on new approvals of ASM land in Mongolia right when the project started in 2019. Thus, the project was left with only a few active mines throughout the country, on which the project conducted a Contextual Study<sup>5</sup> to come to the current conclusions on the sites. Since the pool of players and stakeholders in the ASGM sector in Mongolia is small and definite, the team, when designing the intervention model, chose the main stakeholders of the model with few challenges and difficulties.

As for technological selection, the project faced limitations in relation to strict rules and legislation on using cyanidation in Mongolia. The project made several experiments on the ore to find the most efficient and environmentally safe way to process it. This included a gravitational processing experiment using the shaking table and a falcon centrifuge, and the use of the floatation process of gold extraction, all using a sample from the same shaft - as a result, gravimetric processes yielded a higher gold recovery and were the preferred choice for gold recovery.

Training for miners emerged from the collective experience of the project and ASM NF, the umbrella organization of artisanal miners in Mongolia. planetGOLD Mongolia and ASM NF staff collaborated to develop and refine training programs, regularly adjusting content to meet miners' needs. Trainers aimed to simplify business management knowledge for miners unfamiliar with calculations and business operations.

---

<sup>5</sup> planetGOLD Mongolia (2021) *The artisanal and small-scale gold mining in Mongolia: A contextual study of the planetGOLD Mongolia project sites*. Available at: [https://www.planetgold.org/sites/default/files/CStudy\\_FINAL\\_CLEAN\\_210312.pdf](https://www.planetgold.org/sites/default/files/CStudy_FINAL_CLEAN_210312.pdf)

### **1.2.3 Specific Factors for Success**

ASGM communities formed during the past decade in the target areas greatly assisted during the project implementation. Their cooperation in the advocacy for the sector has laid a foundation for the project to build upon and develop their capacity, connection, and responsibility.

### **1.2.4 (Potential) Factors for Failures**

The project faces significant challenges due to the restrictive legal environment of ASM, hindering access to land and approvals. Negative perceptions toward the sector also impede advocacy for financial access, but the broader legal constraints pose the primary obstacle.

ASGM differs substantially from LSM in resource assessment, capital requirements, and revenue expectations. It is labor-intensive and has a strong local content impact, contributing significantly to the local economy through taxes, employment, and wealth transfer to rural communities.

ASGM deposits' geological survey costs are impractical, resulting in undetermined deposits. This factor makes it challenging for financial institutions to assess collateral and provide loans.

### **1.2.5 Recommendations for Future Interventions**

The limitations caused by the Mongolian legal environment played a crucial role in prolonging and dragging the project's successes back. Thus, the main lesson learned is to base the project model on a firm legal environment or to emphasize paying special attention to formalization and legalization of the sector.

Because there were many unforeseen obstacles throughout the project, planetGOLD Mongolia took every route possible to make it a successful intervention. If the project were to be replicated, one recommendation would be to emphasize building responsible ASGM through the implementation and enforcement of due diligence standards in Mongolia, due to international interest and push to develop responsible extractive industry throughout the world.

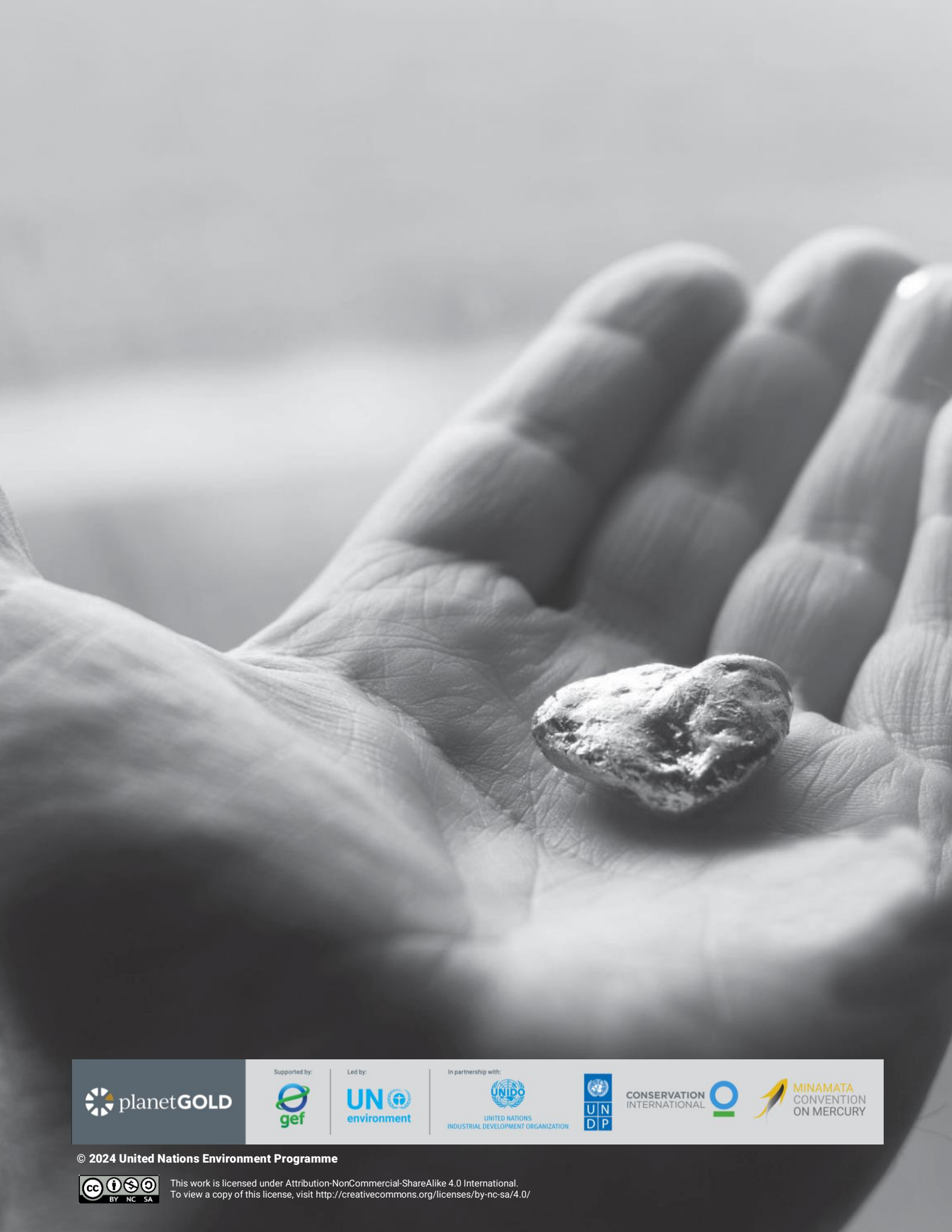
Specific attention should be paid to establishing and maintaining successful communication and cooperation with the partners and stakeholders, including the central and local government, ASGM organizations, civil society organizations, etc.

# 1.3 Annex: Documents Reviewed

1. Artisanal Gold Council (AGC) Mandal Business Plan:
2. planetGOLD Mongolia (2022) Financial Management Training Report.
3. planetGOLD Mongolia (2023) Tunkhel\_SE\_Concept Note 20230606.
4. planetGOLD Mongolia (2020) Technological recovery experiment on gold ore.

## Media Mentions

1. Voice of Mongolia, 12 November 2021.  
<http://www.vom.mn/mn/b/26454> [Mongolian]  
<http://www.vom.mn/mn/b/26454> [English]
2. Voice of Mongolia, November 2021.  
<http://www.vom.mn/mn/p/47113?fbclid=IwAR1GTxMB50yB4CM-5YFVxauimr-eZPyq3jcgmFzIB6912zrOh8TRv9vDrn4>
3. Postmedia, 12 June 2023.  
[https://postmedia.mn/i/17164?fbclid=IwAR1mZSBgdDGUajqTqNbgINzrByvvJxp4NZYfbOg\\_WS WzKw\\_z8qOC2WGF3k](https://postmedia.mn/i/17164?fbclid=IwAR1mZSBgdDGUajqTqNbgINzrByvvJxp4NZYfbOg_WS WzKw_z8qOC2WGF3k)
4. Century News, June 2023. Even if regulations are lifted, people will live and work  
[https://www.zms.mn/a/94310?fbclid=IwAR0Wm3rEo8Mgc2Q\\_z7y9-1kU0kgDv1ib5P2N7I3sDQxaJfrzWRIfXuxHE2w](https://www.zms.mn/a/94310?fbclid=IwAR0Wm3rEo8Mgc2Q_z7y9-1kU0kgDv1ib5P2N7I3sDQxaJfrzWRIfXuxHE2w)
5. Century News, 15th June 2023.  
<https://itoim.mn/a/2023/06/13/economy/nfv?fbclid=IwAR0CdTuUmWbGZkap-YKs7fD2VhTwGbxij2vBszJNrF-1aLtlB2oKzDPzWg>
6. iToim, June 2023. D. Tuya in search of the starstone  
[https://www.montsame.mn/mn/read/321112?fbclid=IwAR19DJ4GMFIkjiTIDLpag\\_oCwd20ASwlf dLsipWL6isZvADgqgU\\_B0UlpVc](https://www.montsame.mn/mn/read/321112?fbclid=IwAR19DJ4GMFIkjiTIDLpag_oCwd20ASwlf dLsipWL6isZvADgqgU_B0UlpVc)
7. Mining Insight Magazine, June 2023. Mandal Sum will have a [gold](#) concentrator for [micro-mining](#).  
<https://www.facebook.com/MSight.Magazine/posts/pfbid02oVZavVnclFBKEnkCxcgNqpZCQa8Ti29GyPBeom33P5U4rUVtq1i9MizrTVXWNxPGdl>



Supported by:



Led by:



In partnership with:



CONSERVATION  
INTERNATIONAL



MINAMATA  
CONVENTION  
ON MERCURY

© 2024 United Nations Environment Programme



This work is licensed under Attribution-NonCommercial-ShareAlike 4.0 International.  
To view a copy of this license, visit <http://creativecommons.org/licenses/by-nc-sa/4.0/>