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Case Study

Documentation of planetGOLD Philippines ASGM Financial Inclusion Interventions

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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.



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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.

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Abbreviations/Acronyms

Abbreviation/Acronym	Definition
ASGM	Artisanal and Small-scale Gold Mining
AGC	Artisanal Gold Council
BSP	Bangko Sentral ng Pilipinas (Central Bank of the Republic of Philippines)
CNSC	Camarines Norte State College
CSF	Credit Surety Fund
DBP	Development Bank of the Philippines
DENR-MGB	Department of Environment and Natural Resources (DENR)-Mines and Geosciences Bureau (MGB)
DOLE	Department of Labor and Employment
EMB	Environmental Management Bureau
GIR	Gross International Reserves
GFIs	Government Financial Institutions
LGU	Local Government Unit
MB	Minanahang Bayan
MFPS	Mercury-Free processing System
MMT	Multi-Partite Monitoring Team
MOA	Memorandum of Agreement
MPSPC	Mountain Province State Polytechnic College
NSBSSMAI	Northern Sagada Barangay Small Scale Mining Inc.
PMRB	Provincial Mining Regulatory Board
PSC	Project Steering Committee
SMBC	<i>Samahan ng mga Minero sa Barangay Casalugan</i>
SSM	Small-Scale Mining
SSMC	Small-scale mining contract
TWG	Technical Working group
UNEP	United Nations Environment Program

1 Executive Summary

Launched in December 2018, the planetGOLD Philippines focuses on access to finance and markets as part of the project, in partnership with private and government institutions. It aims to establish pathways for financial support and de-risk operations or supply chains of the small-scale mining (SSM) sector. Specific initiatives under consideration by the project include the establishment of a SSM fund through a social enterprise¹ and the collateralization of supplier agreements between the Central Bank of the Philippines and the small-scale miners targeting the People's Small-scale Mining Area (*Minahang Bayan* (MB)) of Paracale, Camarines Norte, encompassing almost 390 members of the *Samahan ng mga Minero sa Barangay Casalugan* (SMBC), and the MB of Sagada, Mountain Province, where approximately 263 members of the Northern Sagada Barangay Small Scale Mining Inc. (NSBSSMAI) are involved in mining activities.

Executed by the Artisanal Gold Council (AGC), the planetGOLD Philippines project is implemented by the United Nations Industrial Development Organization (UNIDO) and the United Nations Environment Programme (UNEP) in partnership with the Department of Environment and Natural Resources (DENR) and the Mines and Geosciences Bureau (MGB).

Through the interventions of the ongoing project, the engagement of miners with the government through the Central Bank of the Republic of Philippines (the formal end market for gold from small-scale mining activities), is aimed to improve future gold trading arrangements between the two, allowing miners to use the supplier agreements as collateral for commercial banks when seeking debt financing to improve their mine operations. Additionally, explorations of debt financing with formal financial institutions through the creation of a Credit Surety Fund (CFS) and enrollment into crowdfunding platforms are interventions that are also under exploration. The project has also started putting into effect equity financing options for access to formal finance, including starting the process of registering a social enterprise for the miners. Part of the profits of the social enterprise will feed into an SSM fund that will be used to fund social and environmental causes at the mine site and in the surrounding community.

Simultaneously, private investors will be engaged to invest in environmentally and socially responsible operations that demonstrate significant profitability. Training to increase miners' financial knowledge and organizational management skills has also been conducted in partnership with educational institutions at the project sites.

All of the project's financial inclusion interventions aim to transform the sector into a sustainable and responsible contributor to economic development while ensuring positive environmental and social outcomes.

¹ The fund is intended for social causes (e.g., creation of a scholarship fund for miners' children) or small-scale mining activities of miners (e.g., expansion of the mercury-free processing system)

1.0 Description of the Intervention

1.0.1 Background Relevant to the Intervention

The small-scale gold mining sector is pivotal to the Philippine economy since it accounts for around 80 percent of the country's gold production.² According to the DENR-EMB, citing data from the environmental non-government organization Ban Toxics, the country has 48 provinces with gold deposits,³ in which 30 provinces are involved in SSM. It engages around 300,000-500,000 individuals, indirectly providing livelihood opportunities for around two million people.⁴

At the national level, gold from the sector brings economic value by forming part of the country's gross international reserves (GIR). Through the *Bangko Sentral ng Pilipinas* (BSP), the formal gold market in the country, gold is a commodity and monetary asset used as a reserve of the Philippine government to hedge against inflation and external shocks.

Different policies and regulations have been enacted to govern the SSM sector. There are two significant laws, namely:

1. Presidential Decree No. 1899, entitled "An Act Establishing Small-Scale Mining as a New Dimension in Mineral Development," which recognizes small-scale mining as a new dimension in mineral development and defines it as "any single unit mining operation having an annual production of not more than 50,000 metric tons of ore;" and
2. Republic Act No. 7076, known as the "People's Small-Scale Mining Act of 1991," and its implementing rules and regulations (IRR), DENR Administrative Order No. 2022-03. The Act aims to "achieve an orderly, systematic, and rational scheme for the small-scale development and utilization of mineral resources in certain mineral areas to address the social, economic, technical, and environmental aspects connected with SSM activities." It highlights the declaration of People's Small-

² Senate of the Philippines (December 2010). Privilege Speech by Sen. Juan Miguel F. Zubiri: Artisanal and Small-Scale Gold Mining in the Philippines: Mercury Rising. Retrieved from https://legacy.senate.gov.ph/press_release/2010/1208_zubiri1.asp

³ Nunez, MA (December 2015). Philippines Extractive Industries Transparency Initiative Scoping Study on Small-Scale Metallic Mining. Retrieved from <https://eiti.org/document/philippines-eiti-scoping-study-on-small-scale-metallic-mining>

⁴ Magno, C (2016) Extractive Industries and the Financing of Child-Inclusive Social Development in the Philippines: Trends and Policy Frameworks, UNRISD Working Paper No. 2016-2. Retrieved from <https://www.econstor.eu/bitstream/10419/148754/1/861317335.pdf>

scale mining or *Minahang Bayan* (MB) areas, issuance of small-scale mining contracts (SSMCs), establishment of mineral processing zones, issuance of mineral processing permits/licenses, and the sale of gold to the BSP, among others.

Despite the importance of small-scale mining in the economic advancement of individual Filipinos and the nation, prevailing policies and regulations appear inadequate in fostering an environment conducive to the sector's development. Miners perceive adherence to documentary requirements and the overall formalization process as favoring large-scale mining, demanding substantial financial and social resources for success. The persistence of corruption, bribery, and bureaucratic hurdles further amplifies the prolonged and resource-intensive nature of acquiring necessary documents.

Even with specific provisions outlining technical and financial support from the government, the sector remains predominantly characterized by illegal operations and involvement in the black market, casting negative connotations from both societal and investor perspectives. Recent studies indicate that formal financial institutions view SSM as a high-risk sector, leading to their reluctance to invest in small-scale mining organizations.

The lack of formalization, financial assistance, and incentives has deprived the SSM sector of opportunities to establish fair and mutually beneficial relationships with formal institutions, private sectors, and the government. The sector has remained largely undercapitalized, with most miners being unbanked or underbanked. Hence, miners often resort to informal sources such as 5-6 lending schemes,⁵ pre-financing from gold traders and financiers, and other undocumented and often unfavorable forms of borrowing.

The limited access to finance impedes the sector's development, including the transition to mercury-free techniques and technologies, thereby perpetuating environmental and health impacts. The poverty trap continuously permeates the sector unless interventions are provided by the national government agencies, civil societies, and even the private sector.

1.0.2 General Approach and Main Intervention Activities

Like all planetGOLD phase one projects, the Philippines program aims to reduce the use of mercury by facilitating access to finance and the development of sustainable artisanal

⁵ 5-6 Lending schemes - so-called because of the manner in which they lend, five-six (5-6) moneylenders charge a nominal interest rate of 20% over an agreed period of time. A person who borrows 5 pesos from a 5-6 moneylender over a period of one week repays 6 pesos, including 1 peso interest. These schemes have been popularized by Indian nationals in the Philippines. Collection is usually on a daily or weekly basis. No collateral or documents are required.

and small-small gold mining (ASGM) gold supply chains. Specifically, it has four (4) components: formalization; access to finance and markets; improved practices; and communication and knowledge management.

Under Component 2, the project is facilitating access to finance and formal markets by developing activities and initiatives that support the national government in the creation of an SSM fund that allows miners to invest in mercury-free technologies and access responsible gold markets. The project has established a technical working group (TWG) responsible for identifying solutions to address the gaps and challenges in selling responsible gold to national institutions and responsible gold markets. These solutions are based on the assessment of existing best practices from other jurisdictions, policies, and legislations on gold trading and market access for SSM and the results are validated through consultations with relevant stakeholders.

The following are the specific interventions focusing on access to finance:

- *Creation of a financial mechanism, such as the social enterprise business model, to support the growth and sustainability of miners/SMEs and the complementary economic sector in the project areas.* Together with the host governments, the project is in the process of setting up an SSM fund with initial seed funding from the project to purchase appropriate mercury-free technologies and to support micro, small, and medium enterprises (MSMEs) within the target project areas/provinces once investors have been identified.
- *Development of appropriate social enterprise business models for the ASGM community in project areas/provinces.* The project will install/improve a mercury-free processing system (MFPS) per site. As more environmentally sound and efficient technologies are introduced, miners will be trained in the operation of the new equipment and the financial management of the investment, allowing them to demonstrate increased recovery empirically and financially from the introduced processing methods. In addition to the increased income attributed to increased gold production, miners will also benefit from increased selling prices due to the reduced number of intermediaries in trade transactions.
- *Adaptation to local conditions of the material developed by the global project to raise awareness of socially responsible investors about responsible ASGM in the Philippines.* Resource materials and tools have been contextualized and translated into local dialects for the project beneficiaries. Sustainability in the documentation usage, monitoring, and verification shall also be developed by the end of the project.

1.0.3 Target Areas and Target Groups

Site assessments, based on a standard scorecard formulated by the Artisanal Gold Council and approved by the Project Steering Committee (PSC), established two (2) major

legal requirements in selecting project beneficiaries – declared *Minahang Bayan* and issued SSMC. According to the Republic Act No. 7076, or “People’s Small-scale Mining Act of 1991,” ASGM should be performed only within a people’s small-scale mining area or *Minahang Bayan*. Interested parties who have voluntarily organized and registered with appropriate government agencies as individual miners or organizations should apply for SSMC.

After reviewing results of site assessment activities conducted by the project or five (5) different sites across the country, the PSC chose the following sites and partners:

Table 1. Project site and partner basic information

Location	Project Site/Partner	Covered Areas	Status
Paracale	Site: <i>Minahang Bayan</i> of Barangay Casalugan, Paracale, Camarines Norte	26.4319 has.	<ul style="list-style-type: none"> Declared as <i>Minahang Bayan</i> through Camarines Norte Provincial Mining Regulatory Board (PMRB) Resolution No. 11-2018 No designated mineral processing zone⁶ has been established; however, ongoing coordination with the government is in progress
	Partner: <i>Samahan ng mga Minero sa Barangay Casalugan (SMBC)</i>	5.0 has.	<ul style="list-style-type: none"> Awarded with SSMC on 13 April 2021 No mineral processing permit/license has been acquired; however, ongoing coordination with the government is in progress
Sagada	Site: <i>Minahang Bayan</i> of Barangay Fidelisan, Sagada, Mountain Province	10 has.	<ul style="list-style-type: none"> Declared as <i>Minahang Bayan</i> through Mountain Province PMRB Resolution No. 001 s. 2020

⁶ The establishment and operation of safe and efficient customs mills to process minerals or ore-bearing materials shall be limited to mineral processing zones duly designated by the LGU concerned upon recommendation of the Board.

Location	Project Site/Partner	Covered Areas	Status
			<ul style="list-style-type: none"> The PMRB issued a resolution in November 2022 declaring a Mineral Processing Zone within the <i>Minahang Bayan</i> of Fidelisan.
	Partner: Northern Sagada Barangay Small Scale Mining Association Inc. (NSBSSMAI)	10 has.	<ul style="list-style-type: none"> Awarded with SSMC on 12 May 2021; renewed on 11 July 2023 No mineral processing permit/license has been acquired; however, ongoing coordination with the government is in progress

As of writing, SMBC has almost 390 members governed by an elected board of directors and officers. Eight (8) operating shafts and one (1) ball mill plant are operational in their contract area. On the other hand, NSBSSMAI has almost 263 members governed by an elected board of trustees and officers. It has almost 20 tunnels and ball mills in the area.

1.0.4 Partners and Key Stakeholders

The project continuously pursues partnerships and strategic collaborations with various organizations and individuals to ensure effective conduct, monitoring, and sustainability of its activities. The following are the major partners and stakeholders as of writing, though this list remains subject to change based on the progress of interventions.

- Department of Environment and Natural Resources-Mines and Geosciences Bureau (DENR-MGB). It is responsible for the conservation, management, and development of the country's [mineral resources](#), including those in reservations and public lands. As mentioned, DENR-MGB is the partner of AGC in executing the planetGOLD Philippines project. It is part of the TWG that was established for the access to finance and markets component of the project.
- Bangko Sentral ng Pilipinas (BSP): It is the central bank of the Republic of the Philippines, which has fiscal and administrative autonomy from the National Government in pursuing its mandated responsibilities. The People's Small-Scale Mining Act of 1991 established it as the formal end market of gold produced from small-scale mining activities. In 2020, it extended its scope of services to the sector by creating an accreditation program for gold traders. It is part of the TWG

already established for the project's access to finance and markets component.

- Provincial Mining Regulatory Board (PMRB). It is an implementing agency of the DENR that has certain jurisdiction over small-scale mining, including but not limited to the declaration of the MB, and awarding of SSMC and Mineral Processor's License/Permit (MPL/P). The PMRB will be requested by the project to create a Multi-Partite Monitoring Team (MMT) that will be generally responsible for assisting the miners during the transition period in managing the MFPS (see Sustainability Section for further details).
- Local Government Unit (LGU) of Paracale, Camarines Norte. An LGU oversees the local governance of its jurisdiction. LGU officials are responsible for providing direct and basic services to the people and ensuring community peace and order. Related to the project, the LGU of Paracale, Camarines Norte, will work with the mining organization to manage the SSM fund (see Sustainability Section for further details).
- Local financial institution/s and private (impact) investors. They will be approached by the project and the mining organizations to establish the proposed financial mechanisms. These may include but are not limited to Cebuana Lhuillier and the Development Bank of the Philippines (DBP).
- Other government agencies and the national mining organization. Aside from the BSP and DENR-MGB, the TWG under Component 2 includes representatives from other member agencies/organizations with direct jurisdictions at the project sites, namely, DENR-Environmental Management Bureau (EMB) Regional and Central Representatives, Department of Labor and Employment (DOLE) Central and Regional Representatives, and the National Coalition of Small-Scale Miners in the Philippines, Inc. (see Sustainability Section for further details regarding the TWG's function).
- Camarines Norte State College (CNSC) and Mountain Province State Polytechnic College (MPSPC) for training in the Paracale and Sagada project sites, respectively.

1.0.5 Main Activities and Outputs/Achievements

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

From January to July 2021, the project conducted a Contextual Study to provide baseline information on the project sites, focusing on the existing knowledge, skills, attitudes, and practices of the SSM communities in the areas. The study's results formed the basis for the project's strategies and recommendations to achieve its objectives.

As confirmed by interviews and focused group discussions, results from the survey revealed the following:

- 81% of miners are unbanked. Miners are intimidated to visit formal financial institutions, especially commercial banks, because of their limited knowledge or educational attainment.
- Only 23% of survey respondents have successfully availed loans from formal and informal sources, and only 29% of such loans were used to fund SSM-related expenses or investments. Moreover, the study indicates that 63% of survey respondents perceived availing loans as challenging. Miners disclosed that this is due to documentary requirements, collateral requirements, and limited cash flow available for repayment.
- Most of the loans accessed by survey respondents were from microfinance institutions. However, applications were originally approved for other purposes, such as farming, hog-raising, and retail stores. Informal sources of financing such as 5-6 lending schemes, pre-financing from gold traders and financiers, often suppliers of explosives and mercury, and borrowings from family and relatives are the common alternatives.
- Most respondents are interested in investing in new technologies but are unsure where to source funding. Capital is usually from savings and loans.
- In terms of investment needs, both project sites desire to improve their processing facilities, acquire mining and safety equipment vehicles for transporting ores, generate additional capital, and invest in training. They are also interested in organizing a business that officially trades gold produced from the SSM sector.

When evaluating appropriate financing sources, obtaining loans can be a lengthy and intricate process, given the meticulous application procedures required by formal sources. Nevertheless, the project has created opportunities for the government to support and facilitate the sector's connection with formal financial institutions (see Description of the Type of Financial Mechanism(s) Piloted Section for further details). Meanwhile, equity financing has been the prevailing practice in SSM. The results from the contextual study indicate that the top three (3) perceived challenges in availing of formal loans are the accomplishment of documentary requirements, having limited cash flow for repayment, and the collateral requirement. With these, the miners resort to informal financing schemes from their savings, family/friends, private individuals (commonly loan sharks or also known as 5-6 lending), and gold traders. With the project actively promoting environmentally and socially responsible operations in the sector, there exists the potential to attract impact equity investors to fund business organizations involved in the project.

1.0.5.2 Financial education:

Training generally aimed to increase the financial knowledge of miners and promote effective and efficient organizational management relevant to the financial interventions are the following:

1. Based on the needs assessment conducted by the project, there is a need to improve the competencies of the officers, members, and financiers of the different groups of miners in Paracale on financial planning, recording, reporting, and monitoring. Hence, a seminar on such topics was conducted at the Paracale project site from 30 to 31 August 2023. The training was intended for 25 participants comprising financiers, shaft owners, ball mill owners, and association officers of SMBC with direct roles and responsibilities in handling and managing finances. A similar training is planned for the Sagada project site.
2. Strategic Development Planning and Basic Business Management Workshop was organized in the Paracale project site from 17 to 19 August 2023. The training was intended to assist the miners in formulating a vision, mission, goals, and objectives and preparing short-, medium-, and long-term development plans. 25 officers of SMBC attended it. On the other hand, Leadership, Organizational Management, and Team Building was conducted at the Sagada project site from 24 to 25 October 2023. The event's objective was to develop the leadership skills of participants and aid in fostering harmonious working relationships among participants. 20 officers of NSBSSMAI attended it.
3. Investor Management Training will be conducted in both project sites in 2024. Its objective is to inform miners of the strategies to manage investor relations and comply with investor requirements.

The project is continuously partnering with the CNSC and MPSPC to successfully complete these activities, including conceptualization, preparation, presentation, and evaluation of participants.

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

The project seeks to promote hybrid debt and equity financing for SSM. Debt financing from formal sources demands documentary requirements that some SSM operations find challenging. Hence, partnering with government agencies like the BSP and government financial institutions (GFIs) may provide better outcomes. On the other hand, formal equity financing is rare in the SSM sector due to its negative associations surrounding the sector that hinders formal investments. De-risking the supply chain

and creating resources to substantiate mineral and economic potential should help rebrand the sector.

A. Debt Financing: Collateralization of the Supplier Agreement and Other Strategies

The project has actively facilitated linkages between the small-scale mining organizations and the formal gold market – the BSP. Recent discussions have resulted in formulating a possible “supplier agreement”, currently under review by the bank's legal department, wherein the BSP commits to buying the gold from the mining association.

Integral to this agreement, the mining organizations shall commit to adopting the CRAFT Code planetGOLD (pG) Version⁷ as their due diligence standard. The CRAFT Code pG Version aims to support and guide the miners in implementing environmentally and socially responsible operations in mining activities, from extraction to gold sale. Miners will be required to produce monthly monitoring reports – supplementary documents to assist them in monitoring activities and recording progress, semi-annual reports outlining compliance status, risk mitigation plans and improvements, and basic organizational information, including production volumes. A traceability booklet shall also be produced to record production, investments, expenses, and income essential to form financial statements.

The supplier agreement serves a dual purpose by acting as collateral for mining organizations seeking access to loans from formal financial institutions. Additionally, the generated CRAFT Code pG Version reports shall be presented as one of the supporting documents of the mining organizations to prove their creditworthiness. Furthermore, adopting the CRAFT Code pG Version shall complement the formal financial institutions' Environmental, Social, and Governance Investing requirements.

⁷ planetGOLD Programme (2021) *planetGOLD Criteria for Environmentally and Socially Responsible Operations*. Available at: https://www.planetgold.org/sites/default/files/planetGOLD_Criteria_for_Environmentally_and_Socially_Responsible_Operations_Feb21.pdf The planetGOLD Criteria is a CRAFT branch using CRAFT 2.0 (published by ARM, October 2020 www.craftmines.org)

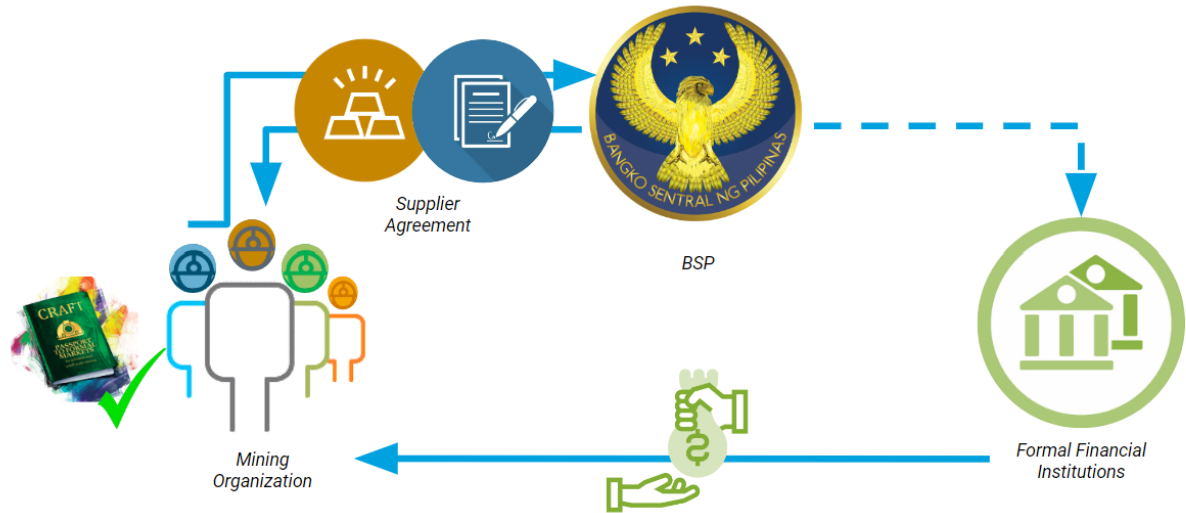


Figure 1. Collateralization of the Supplier Agreement

Other strategies that are being considered under debt financing are (1) participation in the creation of a Credit Surety Fund (CSF), particularly in Camarines Norte, and (2) enrollment in SEC-registered crowdfunding platforms. CSF is a credit enhancement scheme created by pooling the contributions of cooperatives and/or non-government organizations, a local government unit, and partner institutions such as the DBP, Land Bank of the Philippines, Industrial Guarantee and Loan Fund, and other interested parties. On the other hand, crowdfunding platforms offer business financing platforms where local businesses seeking financing can connect with individuals and businesses seeking investments.

B. Equity Financing: Establishment of a Social Enterprise to Create an SSM Fund

A social enterprise will be established to manage the social investment and to improve local operating conditions. This includes providing job opportunities and enhancing participation, especially women, in economic activities. The social enterprise will be established to adopt more environmentally sound and efficient technologies, demonstrating increased recovery and production for increased income. In addition, it will facilitate the inclusion of investor/s injecting capital into the MFPS at the project site to support operational expenses, expansion, or other identified purposes.

A portion of the income from the MFPS will form an SSM fund, which will contribute to any social causes, ranging from mining to other communities. A sustainability plan will be introduced to the stakeholders to ensure that the SSM fund can sustain its investments towards the sector's development.

The social enterprise in the Philippines will only be registered for the MFPS due to the following factors:

1. The main shaft of the SMBC stopped operating in June 2022 after a police

raid conducted because of reported contract violations such as use of explosives;

2. The main shaft operator filed a case against the police officers conducting the raid due to its illegality;
3. Explosives and heavy equipment being used for extraction are prohibited under the People's Small-scale Mining Act of 1991; several groups are planning to submit amendments to the law to allow the controlled use of dynamite and heavy equipment; and
4. Internal complicated political dynamics; and
5. SMBC being registered as a worker's association under DOLE.

Project beneficiaries will be guided to produce a work program detailing the processing plant's business activities and social investment management. A portion of the income derived from the operation of the MFPS will be collected as an SSM fund that will be used for social causes.



Figure 2. General overview of the action plan for attracting investors



Figure 3. General overview of the action plan for the creation of the SSM fund

Getting substantial investment and the creation of the SSM fund can be simultaneous activities that start with the completion of legal requirements or the establishment of the social enterprise under the Securities and Exchange Commission (SEC). This shall also involve coordination and consultation with the SMBC, who will manage the entity after the project life.

1.0.5.4 Socialization and performance of mechanism

The implementation of financial mechanisms is yet to be realized. For the status and updates, please refer to Table 2.

Table 2: Status and Updates of Financial Mechanisms

Financial Mechanism	Status	Updates
Debt Financing		
Collateralization of the supplier agreement between mining organizations and the BSP	In Progress	<p data-bbox="850 396 1417 989">On 22 February 2023, a meeting was convened with the BSP and MGB to delve into potential financial mechanisms that could be established through a partnership with the BSP. Subsequently, a forward purchase agreement, later refined into a supplier agreement, was crafted and deliberated for finalization during a workshop with partner agencies on 30 March 2023. Presently, the agreement is undergoing revision and awaits approval from the BSP Mint and Refinery Operations Department and Legal Office.</p> <p data-bbox="850 1073 1417 1276">Training on gold trading and due diligence were conducted in 2021 and 2022 for both project sites, which will be helpful in the realization of the agreement.</p>
Other strategies: participation in the creation of CSF	In Progress	<p data-bbox="850 1331 1417 1835">Previous discussions in 2022 with the BSP Regional Office paved the way for exploring the possible participation of mining organizations in an established CSF. During the same year, the project collaborated with the Cooperative Development Authority (CDA) to organize discussions to introduce cooperatives to both project sites. Through these, the project opened the opportunity for mining organizations to engage in a CSF.</p>

Financial Mechanism	Status	Updates
		<p>In the project sites, Camarines Norte is actively in the process of establishing such a program. On 23 January 2023, a presentation was organized to inform miners about the CSF. However, through the activity, it became evident that SMBC does not meet the qualifications. CSF typically involve non-profit organizations and cooperatives (in addition to specific government agencies and selected financial institutions). Following subsequent discussions, a decision was made to establish an Agricultural Cooperative, initially comprising SMBC members, to meet the CSF criteria. A pre-registration seminar took place on 31 July 2023. Currently, efforts are underway to develop a strategy to integrate this initiative into the broader social enterprise framework, and preparations for the necessary documentary requirements for registration are ongoing.</p>
<p>Other strategies: enrollment in crowdfunding platforms</p>	<p>In Progress</p>	<p>Exploratory calls with SeedIn⁸ Technology Inc. and Round One⁹ in October 2023 were organized to review possible enrollment to crowdfunding platforms, where business organizations and investors (debt and equity) can connect and explore funding/investing opportunities. These</p>

⁸ SeedIn is a business financing platform where local businesses seeking short-term financing connect with individuals and businesses seeking short-term investments.

⁹ Round One is the first equity crowdfunding platform in the country that allows Philippine companies and ventures the ability to offer securities to investors registered on the platform.

Financial Mechanism	Status	Updates
		<p>entities were introduced to the project representatives during the SEC Roadshow on Capital Formation for MSMEs on 13 October 2023.</p>
Equity Financing		
<p>Establishment of a social enterprise to create an SSM fund</p>	<p>In Progress</p>	<p>In 2021, an introduction to the social enterprise was conducted with SMBC, garnering positive feedback. From 2022 to 2023, different meetings and agreements were convened until the agreement to establish a social enterprise was strengthened through the signed Memorandum of Agreement (MOA). SMBC highlighted the utilization of the SSM fund to create a scholarship fund for miner's children, support rehabilitation efforts, and cover the costs of permits and licenses. Meanwhile, the project proposed reinvesting a portion of the SSM fund to expand the MFPS. The existing design of the MFPS can only accommodate 3.4 MT for 2.5 days, which is deemed insufficient to cater for all shafts in the event of full-scale production.</p> <p>Moreover, the secretary of the social enterprise underwent initial training in the SEC's business registration process. Details on the registration were also discussed in a series of meetings from 2021 to 2022 with the SMBC officers. Registration is pending after finalization of the details for the transfer of the MFPS.</p>

1.0.6 Sustainability

Different strategies were proposed to sustain the financial mechanisms, which seek valuable partnerships with various government units and agencies.

A. Creation of a CRAFT Code pG Version TWG

As mentioned, de-risking the supply chain is one of the action plans for attracting investors. To support this, the PSC approved creating the CRAFT Code pG Version (TWG) in 2022. The TWG shall primarily assist in creating linkages between miners and the formal market of gold or interested responsible gold buyers and adopting the planetGOLD programmatic responsible gold criteria for downstream gold supply chain participants.

Although its responsibilities are mainly focused on gold trading and due diligence, the TWG can discuss the development of different financial mechanisms that can recognize the validity of the CRAFT Code pG Version.

B. Creation of a Multi-Partite Monitoring Team (MMT)

Through a MOA with the PMRB, a MMT shall be created through a policy issuance. Initially, the MMT will have the following functions:

- Monitor and evaluate post-project activities and/or requirements undertaken according to the MOA;
- Provide assistance in the transition of operations and transfer of the MFPS from the project to the miners; and
- Assess eligibility for the transfer of the MFPS, under special cases mutually agreed upon by the Parties.

Hence, the PMRB has an obligation to collaborate with the AGC, as an executing agency of the planetGOLD Philippines Project, to guide the project partners in the transition towards mercury-free technologies.

C. Management of the SSM Fund

Initially, the SSM fund shall be managed by the designated officers of the SMBC for the corporation. Depending on the agreed timeline, an election shall commence to create a new set of officers.

The allotment of the portion of the income from the MFPS that will go to the SSM fund shall be determined through a separate MOA with the designated parties. This shall also include the provisions for the complete transfer of the MFPS.

In terms of the social causes that will be supported by the SSM fund, a social work program shall be created to organize and formally document the agreement among stakeholders. Projects and activities to be funded by the SSM fund should be identified by the SMBC and the municipal government.

1.1 Cross-cutting Issues

The social enterprise will contribute to the mining organizations' various social causes. Primarily, the SSM fund will be allocated for expanding the capacity of the MFPS, rehabilitating the mine site, establishing a scholarship fund, and supporting activities for women. Once the fund reaches a substantial amount, it will be shared with other SSM organizations in the locality. Specific impacts on gender, vulnerable groups, local communities, environmental issues (beyond mercury), climate change issues, and human rights are yet to be identified.

Meanwhile, financial interventions at the Sagada project site directly impact Indigenous Peoples, as members of the NSBSSMAI are Indigenous Peoples.

1.2 Findings, Observations, Lessons Learned,

1.2.1 Project Highlights

Several activities remain pending to fully realize the impact of interventions within the access to finance component of the project. However, the project has been instrumental in strengthening the connections between the government and the SSM sector, with a focus on fostering formal gold trading arrangements and exploring potential financial mechanisms. At present, the initiatives aimed at improving access to finance have already produced the following outcomes:

- acquired acceptance among miners to establish a social enterprise tasked with overseeing the mercury-free processing technologies and managing associated resources;
- secured buy-in from both government authorities and miners, demonstrating a shared commitment to establishing an SSM fund;
- formed a strategic partnership with the BSP as the formal end market for gold produced by SSM organizations that resulted to joint training and development of supplier agreement;
- gained initial (verbal) acknowledgment from the BSP, recognizing the CRAFT Code pG Version as the due diligence standard for SSM organizations;
- elicited a positive response from miners, who are now willing to explore options for debt financing through the participation in the creation of a CSF;
- initiated the creation of a TWG dedicated to overseeing the implementation and

adherence to the CRAFT Code pG Version;

- securing commitment of the PMRB to establish an MMTfor SSM, through the signing of a MOA; and
- the conduct of training and strategic partnership with educational institutions in such activities.
 - 21 July 2021: BSP Online Orientation on Gold Buying Program and Due Diligence
 - 26 - 27 August 2021: Introduction to the Due Diligence Concept and the CRAFT Code (Online)
 - 19 November 2021: BSP Gold Trading Translation (Paracale, Camarines Norte)
 - 1 March 2022: Introduction to the Minamata Convention and Due Diligence Guidance for Responsible Supply Chains of Minerals
 - 30 July 2022: National Coalition of Small-Scale Miners in the Philippines, Inc. 3rd National Assembly: the CRAFT Code
 - 22 - 26 November 2022: Policy Writeshop
 - 30 March 2023: BSP MGB
 - 20 - 25 February 2023: Mountain Provincial Planning
 - May 2023: Cam Norte Provincial Planning

1.2.2 Suitability of Intervention Design

As the implementation of the interventions has yet to be mobilized, the project cannot fully assess the suitability of its design and activities. However, strategies are continuously adjusted to align with the needs of the miners at the project sites, taking into consideration their preferences, qualifications based on requirements of government and/or private sector partners, project timelines, and recommendations from the funders and the PSC.

1.2.3 Specific Factors for Success

The table below illustrates the specific factors for success.

Table 3. Major factors for success per mechanism

Financial Mechanism	Factors for Success
Debt	<ul style="list-style-type: none">● Signing of the supplier agreement

Financial Mechanism	Factors for Success
Financing	<p>Key Elements:</p> <ul style="list-style-type: none"> • Commitment of the BSP to purchase gold from the mining organization, acknowledge the CRAFT Code pG Version, and facilitate engagement with formal financial institutions to access loans • Commitment of the mining organization to sell gold to the BSP, derisk its supply chain through due diligence (including report development and risk mitigation plans), and enhance traceability mechanisms • Consistent production at the mine sites that will ensure steady and predictable supply of gold; major factors influencing consistency includes reliable mineral potential, adherence to legal and safety standards to avoid cease-and-desist orders, effective resource management of officers and mining groups within the organization, climate at the project sites, and existing political dynamics • Engagement with formal financial institutions <p>Key Elements:</p> <ul style="list-style-type: none"> • Formal financial institutions acknowledging the collateralization of the supplier agreement • Mining organizations qualify to access loans through the preparedness of documentary requirements and adoption of strong management systems
Equity Financing	<ul style="list-style-type: none"> • Registration of the social enterprise under Philippine laws to establish legitimacy, providing a solid foundation for conducting business operations within the country • Engagement with potential investors <p>Key Element: Attractiveness of the investment opportunity which will be primarily determined by: (1) the performance of the MFPS to enhance recovery, production, and profitability, supporting robust financial projections, and (2) the effective management of resources facilitated by a dependable decision-making structure and operational</p>

Financial Mechanism	Factors for Success
	<p>framework.</p> <ul style="list-style-type: none"> • Strong partnership between the mining organization and the LGU to conduct various initiatives and activities to support the social enterprise and social causes.

1.2.4 (Potential) Factors for Failures

The table below illustrates the possible risks in establishing the financial mechanisms. Note that a separate risk mitigation plan to de-risk the supply chain is reported under the CRAFT Report and Verification Tool.

Table 4. Risk mitigation plan

Risks	Impact Potential	Likelihood	Mitigation Measures
Miners are not qualified to access a loan from a financial institution	High	High	The mining organizations will be supported in the preparation of requirements to potentially access loans, which includes legal registrations and historical financial statements. The mining organizations may use the traceability booklet created through the project to record their everyday transactions and produce reports as needed.
Formal financial institutions might not accept the supplier agreement as collateral	High	High	The BSP shall take the lead in conducting outreach activities or other forms of engagements with the formal financial institutions to introduce the project and its beneficiaries and inform them of the supplier agreement that will be established. BSP's ownership of implementing this financial

			mechanism should help convince formal financial institutions to accept the supplier agreement.
The processing plant does not reach high gold recovery as anticipated by the project	High	Low	The provision of the MOA will still stand. It should be noted that allotment of the portion of income to the SSM fund shall be subject to the income of the MFPS; hence, if there is no income yet, the social enterprise, in such cases, will not be obliged to contribute to the SSM fund.
Miners do not have active mining operations	High	Medium	One of the main reasons for not operating is the lack of financing. Since SMBC plans to form a cooperative for the extraction side of its mining activities, it can participate in the creation of a credit surety fund that may provide them access to collateral for loan application purposes. The cooperative can share the loan with its members. Hence, establishing the social enterprise to ensure business continuity across all operations shall be a simultaneous activity.
There are not sufficient funds to form the SSM fund	Medium	High	The social enterprise can conduct low-impact to high-impact activities as long as it is agreed upon among stakeholders and contributes to a social cause. The social work program can determine which social causes can be prioritized depending on the income reached.
Internal management	High	High	The MMT shall be assisting the stakeholders in transferring the

issues			MFPS and creating a mechanism for managing the SSM fund.
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1.2.5 Recommendations for Future Interventions

Access to finance is intricately linked to both the overall legal framework of the SSM sector and the individual compliance of mining organizations, forming a reciprocal relationship. Miners face significant challenges in obtaining permits and licenses, which frequently demand substantial financial resources. The lack of financial assistance and incentives, primarily from the government, hampers the formalization of the sector. Simultaneously, the lack of formalization restricts the sources from which miners can access capital to increase productivity and income.

Therefore, as was demonstrated in this project, any intervention should begin with a review the legal framework of the SSM sector, the realities on the ground, the preferences of project beneficiaries, and the prevailing political dynamics or culture in alignment with the project establishing outcomes and target impacts. Such a comprehensive review ensures that the project adapts its strategy to address miners' specific challenges better, creating a more effective and customized approach to improve access to finance in the SSM sector.

As several activities are still in progress, the project cannot provide a complete assessment of the interventions, observations, lessons learned, and recommendations.

1.3 Annex: Documents Reviewed

1. SMBC Small-scale Mining Contract
2. NSBSSMAI Small-scale Mining Contract
3. planetGOLD Philippines (2021) *The Artisanal and Small-Scale Gold Mining Sector in the Philippines: A Contextual Study of planetGOLD Philippines Project Sites.*
4. planetGOLD Philippines (2023) *Seminar on financial planning, recording, reporting and monitoring.*
5. planetGOLD Philippines (2023) Strategic development planning workshop (SDPW) and business management training (BBMT).
6. Proof of Gold trading and Due Diligence Training
7. planetGOLD Philippines. Traceability booklet for Small-Scale Mining Contract Owners.



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