

## The Potential Market for Financial Products in Indonesia's ASGM (Artisanal Small Scale Gold Mining) Sector

Access to finance is one of the most significant and pernicious barriers of the ASGM sector. Miners' cooperatives and organizations need investment to fund their mining operations, but do not have the requisite capacity and experience to access conventional financing options. From the lending perspective, finance entities (banks, microfinance institutions, and other lenders) do not commonly provide loans to the ASGM sector as the risks are often perceived to be too high. The risk status of the ASGM sector relates to the lack of legal status of mining operations and inconsistency in gold production. Traditional finance entities do not have the expertise and experience to review ASGM loan applications, or to develop financial products that are tailored to the ASGM sector.

Assessment of existing financial systems in the 6 GOLD-ISMIA project locations highlighted that financing priorities for mining operators were : 1) Operational loans to cover business costs including driving shafts to find new sources of gold; 2) Investment or partnerships to support and enable gold resource estimation (e.i mapping, geo-exploration, drilling); and 3) Capital investment to enable ASGMs to invest in new and more efficient equipment, including Hg-free processing technology. Analysis showed that loans in the range of USD 20,000 – 30,000/miner group is necessary to financially support miners to transition to mercury free gold production.

The finance entities in Indonesia have several financing schemes for Small and Medium Enterprises (SME) and these SME-targeted financing schemes could provide the financing for ASGM sector, as long as the ASGM sector can meet the necessary terms and conditions of any financially investment.

**Table 1. Financing Scheme for SME Applicable to the ASGM Sector Offerings by Finance Entities (as Identified in GOLD ISMIA Project communities)**

Bank	Product
BRI	<ul style="list-style-type: none"> <li>• KUR (Kredit Usaha Rakyat): 7% p.a.</li> <li>• Bank BRI product (start-up capital) = 10-12% p.a. (up to IDR 250 Million)</li> <li>• Bank BRI product (productive loans for scale) = 12-15% p.a. (up to IDR 500 Million)</li> </ul>

	<ul style="list-style-type: none"> <li>• Loan range IDR 5 million – 1 Billion</li> </ul>
BPD	<ul style="list-style-type: none"> <li>• KUR (Kredit Usaha Rakyat): 7% p.a.</li> <li>• Bank BPD product (productive) = 10-13% p.a.</li> <li>• Bank BPD product (consumptive) = 15% p.a.</li> <li>• Loan range IDR 25 Million – 500 Million</li> </ul>
Bank Riau	<ul style="list-style-type: none"> <li>• KUR (Kredit Usaha Rakyat): 7% p.a.</li> <li>• Bank Riau product = 12% p.a. (&lt; IDR 500 Million)</li> <li>• Bank Riau product = 11%: p.a. (&gt; IDR 500 Million, only for scaled-up businesses)</li> <li>• Loan range IDR 25 Million – 500 Million</li> </ul>
Bank NTB	<ul style="list-style-type: none"> <li>• KUR (Kredit Usaha Rakyat): 7% p.a.</li> <li>• Bank NTB product = 9% p.a. (1-year loan)</li> <li>• Bank NTB product = 3-5% p.a. (loan tenure &gt; 5 years)</li> <li>• Loan range IDR 25 Million – 300 Million</li> </ul>
Bank Sulut Go	<ul style="list-style-type: none"> <li>• KUR (Kredit Usaha Rakyat): 7% p.a.</li> <li>• Bank SulutGo product = 12% p.a. on average</li> <li>• Bank NTB product = 3-5% p.a. (loan tenure &gt; 5 years)</li> <li>• Loan range IDR 15 Million – 250 Million</li> </ul>

Ongoing work is necessary to connect the ASGM sector to existing SME financing schemes. GOLD-ISMIA will continue to work with selected finance entities to co-develop a custom 'underwriting tool' designed for ASGM operators.

This tool will be drafted as a set of guidelines around loan contracts (template), with terms and supports designed to ensure productive loans are deployed for business costs including capital expenditure on mercury free processing equipment. It is recommended that the project would then provide technical assistance and related business support to ensure the commercial success of loan applicants supported by the project.

It will be essential to ensure that Pilot loans are efficiently and effectively managed, with measurable mercury reduction and profit, so that loans for investment in mercury free equipment can be repaid. The supports delivered through the project should continue to ensure that loan applicants are empowered to achieve the following requirements:

- 1) ASGM operations have the permits necessary to operate legally;
- 2) ASGM operators (or co-operative representatives) must establish some form of credit;
- 3) A business or co-operative must have a defined business plan (which incorporates Hg free technology and associated financing requirements);
- 4) Records are kept of gold production and/or sales.

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