

REPORT



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A GEF Initiative

Knowledge Exchange: Responsible Investors & Artisanal and Small-Scale Gold Mining

ASGM as an Impactful Investment Opportunity

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Disclaimer

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Executive Summary

Artisanal and Small-Scale Gold Mining (ASGM) continues to be a significant global livelihood provider and supplier of gold. One of the challenges faced by ASGM is access to appropriate finance that can support improved social, environmental, and economic outcomes. A potential source of finance may be Socially Responsible Investors (SRIs). For SRIs to engage in ASGM they need to be aware of the sector and be willing to consider it for future investment. As part of the planetGOLD program, efforts to increase awareness and understanding of the sector among the SRI community were undertaken, with a goal of growing the pool of SRIs who may consider working with the ASGM sector in the future to strengthen livelihoods and enable improved environmental, social, and economic outcomes.

Awareness raising was achieved through outreach and knowledge exchange with the SRI community. Candidates were identified for outreach through desk-based research of the SRI community, screening and shortlisting from investor lists, network connections, and at relevant conferences and events including SOCAP and Perumin. The response rate from outreach averaged around 10%. Responses typically fell into one of the following categories: 1) those who did not respond, 2) those who declined to engage further (with or without elaborating why), 3) those who were unaware (or largely unaware) of ASGM but were interested in engaging in a discussion, 4) those who were aware of ASGM and interested to share perspectives, and 5) those who were already aware of, and engaging with, the ASGM sector.

Key insights from the outreach efforts were clustered around the SRI segments outlined above. Some SRIs responded to outreach but declined to discuss further. Some were not interested in discussing ASGM for reasons such as it being out of scope, being too high risk, or not mainstream. Some declined to enter knowledge exchange or research-based discussions, preferring instead to only review investment ready project proposals, or, directly discouraged people from reaching out to them on their websites for similar reasons. These groups were not necessarily averse to ASGM. In most cases, however, no reason for declining to engage was given. The SRIs that did engage were typically already aware of ASGM and interested in further discussion, or unaware but curious to learn more and contribute their perspectives. Some examples of factors that motivated them to engage in discussions on ASGM included an awareness of the importance of the mining sector, an understanding or curiosity about the opportunity, or an interest in the potential for community value creation and impact. The study focused on gathering insights into the level of awareness of ASGM among the SRI community and factors that may enable or prevent SRIs from engaging further with the sector and growing awareness of ASGM within the SRI community.


A workshop was hosted to facilitate knowledge exchange between selected ASGM projects and SRIs. The intention of the workshop was to enable knowledge sharing between two groups that may not otherwise easily connect in this context, to offer an opportunity for planetGOLD ASGM beneficiary groups from Burkina Faso, Kenya and Peru to receive feedback on their projects, and to create an environment for SRI and ASGM representatives to hear directly from one another. Note that investment was not solicited during the workshop, which was for educational purposes only.

Insights are highlighted in the report that may be useful to ASGM groups aiming to better understand the SRI community, de-risk their projects or planning to seek appropriate sources of finance. They may also support ASGM groups in better communicating and signaling specific project and impact opportunities, which may enable improved engagement from SRIs. It is worth noting that as there is no one-size-fits all approach for ASGM projects or SRIs, and applying these insights does not guarantee a particular outcome. In addition, it is important to note the potential importance of ASGM groups feeling empowered to engage with SRIs and identify those who are appropriate to their needs. There may be an opportunity to further support the ASGM community by sharing their perspectives more widely so that the SRI community may hear from ASGM groups directly concerning their challenges and needs.

Key Insights

Key insights include:

- ▶ ASGM projects may be more attractive to investors if they can: demonstrate nonlinear impact; de-risk to mitigate value destruction; include waste management planning; include rehabilitation and remediation planning; provide transparency on operational risk as well as risk management planning; and present technology/equipment financing opportunities.
- ▶ ASGM groups may have specific unmet needs due to the focus being often on improving activities at the production stage of the ASGM mining lifecycle rather than other important activities such as metallurgy, exploration or permitting activities.
- ▶ In addition to ASGM groups considering how they may de-risk and enhance their project communications to access potential finance opportunities, it is also important to take steps to consider if the finance opportunities at hand are the most appropriate for their needs.

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- ▶ Alternative pathways to build awareness among the SRI community may provide new outreach opportunities to a wider audience through professional groups and investor networks. It may also be beneficial to create enabling environments to support ASGM leaders to tell their stories directly to the SRI community and articulate their needs and vision for their projects.

Background on SRI Outreach and Engagement

The intent of outreach efforts under this project was to grow the pool of SRI community members that are aware of ASGM and potentially willing to consider it for future engagement. To focus efforts, SRIs were shortlisted for outreach based on an initial assessment of the following factors: potential likelihood to be willing to connect to discuss the ASGM sector; potential for moving from non-awareness to awareness or non-consideration to consideration of the sector; and/or those SRIs where learnings may be derived from other sectors and geographies. Other factors considered when reviewing potential SRIs to engage included:

- ▶ geographic alignment with planetGOLD projects,
- ▶ a track record of investment types that may be appropriate for ASGM,
- ▶ evidence of having an investment mandate that could be aligned with ASGM project impacts and/or a flexible approach to invest in things that may be early or higher risk,
- ▶ impact goals that could be addressed by ASGM (e.g. financial inclusion, gender, environment),
- ▶ exposure to other rural SME (“Small-Medium Enterprise”) investment projects such as agriculture and energy.

A variety of SRI types and perspectives were considered for inclusion. Those identified, where there may be an anticipated aversion to ASGM (e.g. those with a strong environmental conservation focus) were not necessarily excluded given these perspectives are also important to understand.

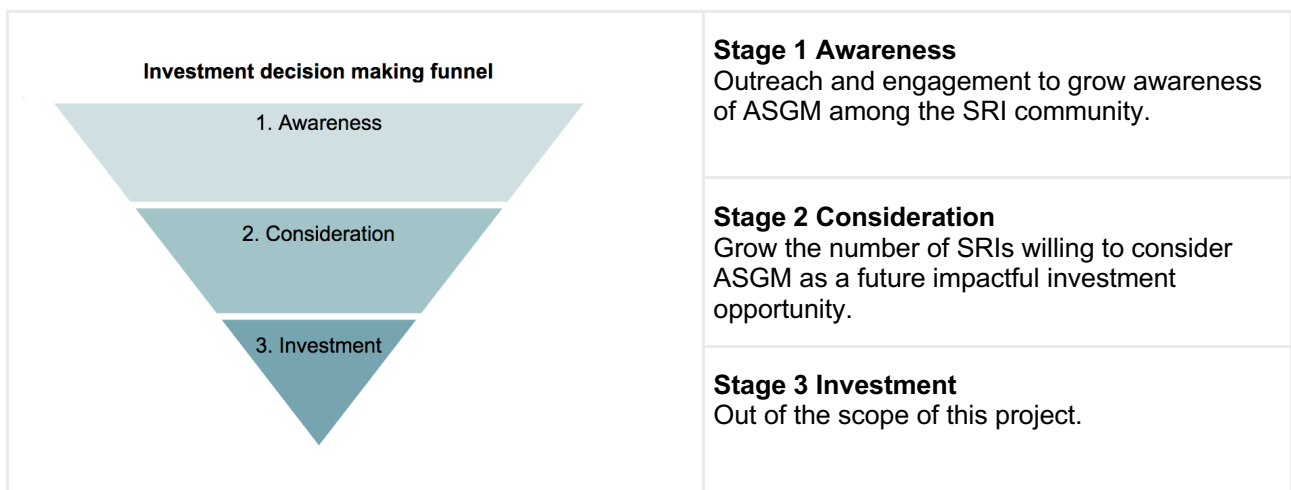


Figure 1: Investment decision making funnel and SRI outreach strategy

Understanding the Socially Responsible Investor Perspective

Insights were gathered from the socially responsible investment community respondents and clustered into one of four groups:

- 1) those who declined to engage in a fuller discussion,
- 2) those who were largely unaware of ASGM but expressed curiosity to learn more,
- 3) those who were already aware and interested to engage with ASGM (or not), and
- 4) those who are actively engaging with ASGM, this included the SRIs who were invited to participate in a knowledge exchange workshop with ASGM.

Declining to Engage in Discussion

Many SRIs did not respond to outreach efforts or declined with no context which could be interpreted as an indication of an unwillingness to consider ASGM as a sector they may want to engage with. Some SRIs were unwilling to engage in a deeper discussion but provided some top-level insights as to why.

Some are focused on reviewing investable businesses rather than entering knowledge exchange discussions. Some SRI websites guide the viewer to only reach out if they have investment-ready opportunities and indicate responses will only be given to those entities who they wish to follow up with. Others indicate a lack of willingness to respond to cold outreach. Some of these SRIs however may still be willing to consider an ASGM project that is investment ready. Similarly, one SRI indicated that having a knowledge exchange discussion may provide a future competitive advantage to a prospective project and did not want to engage in a discussion. This again indicates that SRIs may prefer to only receive communications from investment ready projects through an application submission.

For some, ASGM is simply not within their scope or investment thesis. Some insights on this group's perception of ASGM were shared and include:

- 1) that mining in general is often part of exclusion lists (e.g., things they do not invest in),
- 2) the investment needs of these communities are often too small to be reached directly by investors,

3) perception that this sector may be better served through support of Micro-Finance Investment, and

4) that ASGM contradicts environmental conservation goals.

While some in this category may not be engaging due to lack of awareness, others are aware of ASGM and may be choosing not to engage as they have concluded that the ASGM sector is not an appropriate match.

Some cited a lack of understanding and expertise and did not feel able to meaningfully contribute perspectives. In these cases, where follow up was completed to encourage them that no expertise is required, it still did not result in them engaging. Perhaps improved awareness, a trusted intermediary/partner or other expert lead investor may enable consideration from groups like this.

The ASGM sector is perceived by many as high risk. Investing in a sector that is high risk is not attractive, especially in the context of other available lower risk, high impact projects that are available. This perceived high risk, combined with a lack of deep expertise or track record of successful investing in ASGM compounds the challenge.

Moving from Unaware to Aware of ASGM

Perspectives were gathered in this category from those that were unaware or largely unaware of ASGM. Most of their knowledge of mining was based on perceptions of the large-scale sector but after discussions they were all motivated to learn more and indicated interest in considering ASGM in future under certain circumstances. Those that agreed to a deeper discussion were often aware of the formal mining sector, which to some degree may have led to their interest to engage in the context of ASGM for which they had little to no awareness.

During the discussions insights were captured as to criteria that may be important to encourage deeper consideration of the sector. Some perceptions of ASGM included the sector is likely to: be entrepreneurial, affected by social challenges, high risk, and possibly associated with violence. Some indicated they perceived ASGM to be more appropriate for philanthropic finance or microfinance.

It was highlighted that many investors have non-mining clauses in their investment thesis and that there may be a general cognitive dissonance between investors and the mining sector and its activities. This dissonance may vary by geography, for example a region with a more prominent mining sector such as British Columbia, may be more aware of mining and its importance versus

California. It was also highlighted that while the current focus is on energy transition minerals, a lot of investment still goes to the gold sector but there is also an awareness of a need for investing in non-gold commodities such as critical minerals.

Deeper discussion uncovered aspects of ASGM that were appealing or interesting to this group including: the size of the sector, its contribution to the supply chain, employment and livelihoods as well as potential social economic and environmental impact with relevance to Sustainable Development Goals (“SDG”). Motivations to engage included:

- 1) a recognition of the importance of mining,
- 2) the potential for community value creation and equity creation for communities,
- 3) the potential for impact on the SDGs,
- 4) a curiosity if ASGM could enable non-linear (asymmetrically positive impact returned for investment scale) social and environmental impact relative to alternative options,
- 5) in the case of proximity to a large-scale project, the potential win-win value an ASGM project could create, and
- 6) the opportunity to support new technology innovation and investment.

Aware of ASGM

While this group was already aware of ASGM, they shared some insightful reflections, including how their perceptions had evolved over time from being unaware or uninterested in ASGM to becoming interested. When they first became aware of the sector, they perceived it as informal, risky, illegal, disruptive, a threat to business, not following regulations and potentially encroaching onto formal mining claims with a risk of asset depletion to a large-scale company while that same company bears the costs of maintaining the license.

As these individuals became more aware of the sector, (through either research or direct engagement) they began to become aware of the opportunity. Perceptions shifted to see ASGM as a diverse sector with opportunities for sustainable development, that supplies critical minerals, that can deliver real outcomes to communities that make social and environmental sense. Further, some perceive the sector as having a potential scale of impact that makes it as compelling as other opportunities: its reach is large, with opportunity for social impact. Some came to understand that, ASM (“Artisanal Small-scale Mining”) groups are just looking for a livelihood, and they may be able

to produce gold at a lower cost or increase production levels, and they can be motivated to collaborate under a fair business model.

SRI's shared that they are motivated to engage because: this is a large and underserved impact opportunity, with the potential for impact across multiple areas such as dignified livelihoods, human rights, community, access to finance, and organizational improvement. It was noted that access to finance for ASGM could be leveraged to enable organizational improvement and incentivize environmental improvements. It was also noted that this is a market opportunity, enabling small-scale ASGM deposits to become more economically viable if aggregated. The opportunity for the SRI community in supporting the path to mercury elimination and impact measurement in ASGM was also highlighted. When enquiring as to the relative interest of SRI's in gold vs critical minerals it was shared that gold is still appealing as it is a very large part of the ASM sector with associated impacts for communities, but also mercury reduction in particular. Critical mineral ASM is also of interest with similar impact opportunities however it was perceived as having less livelihood impact potential.

Aware and Engaging: Knowledge Exchange Workshop

Some SRI's are aware of and engaging with ASGM already. To take advantage of the knowledge and experience of these actors, a knowledge exchange workshop was held to facilitate knowledge between SRI's and ASGM share insights and perspectives and enable deeper understanding between each of the two groups. Participants included selected SRI's, ASGM project leaders and representatives from the planetGOLD global project. SRI's presented their perspective, sharing knowledge on what they consider are important factors in preparing an impact project for investment readiness. ASGM groups from Burkina Faso, Kenya and Peru shared their projects and their perspectives about their project challenges and needs and ask questions of the SRI's.

Many of the insights from this workshop were focused on criteria they are considering when reviewing a project, paths to de-risk projects and considerations for ASGM groups to have when exploring finance opportunities. Considerations highlighted by this group included demonstrating the presence of a strong, trusted team with good record keeping, facilitating site visits, articulating investment needs and what has been invested to date. Being able to demonstrate alignment with mechanisms such as OECD and CRAFT and, alignment with a prospective investors impact interests were also highlighted as useful. Additional insights that were shared on project de-risking and considerations when seeking investment are elaborated on in the following sections.

De-Risking an ASGM Project For Investment

Insights into project de-risking were derived from the knowledge exchange workshop, held to facilitate discussions between ASGM and SRI representatives, and discussions with SRI community members. The following insights were gleaned from these discussions:

- ▶ Smaller initial investments may provide a pathway to build trust, capacity and a track record to enable larger follow-on financing.
- ▶ Understanding the nuance of geography was highlighted both in terms of permitting (environmental, mining etc.) and the finance sector.
- ▶ Regarding local or national finance opportunities, it was noted that SRIs should be cognizant of not competing with appropriate local finance systems.
- ▶ Investors may also consider how the project will work within the supply chain and associated organizations both from a logistical and compliance perspective.
- ▶ SRIs expressed a willingness to work in higher risk jurisdictions if risk could be managed, a large part of the discussion also focused on advice for de-risking projects, reiterating insights from previous outreach efforts and highlighting some additional considerations.

A range of potential mechanisms to engage investors were discussed. Attractive pathways to de-risk investment included investment via an intermediary as opposed to direct investment and/or investment as a consortium. Another advantage of investing through an intermediary would be that they could disburse funds across multiple sets rather than direct microfinancing which could be more efficient in enabling scaling of the model and knowledge transfer of learnings.

It was noted that some ASGM projects may be suited to philanthropic investors, or microfinance. Mining companies may provide a pathway to finance solutions if risk could be managed, perhaps leveraging an operational success model to incentivize alignment between large and small-scale sites on operations (safety, access, processing).

Using Insights to Guide Project Development

Insights captured may be considered at an ASGM project level to provide guidance on developing and communicating a project to a prospective SRI. Insights from the outreach and workshop are shared in Table 1. These insights have been clustered into:

- ▶ Impact criteria, including impact tracking, environmental, economic, social and governance.
- ▶ De-risking criteria, including trust, scalability, business and unintended value destruction.
- ▶ Improving sector knowledge.

The third category, “improving sector knowledge”, includes considerations raised specifically by the SRIs who were moving from unaware to aware of ASGM.

This table is provided only for knowledge exchange purposes and is informational only, the list is not exhaustive, each project is context specific. Because each SRI has their own unique consideration set, no outcomes can be guaranteed or predicted. A site visit should also be undertaken by a potential investor as a critical part of the due diligence process.

Table 1: Additional information highlighted as being of interest/importance to enable engagement in ASGM

Considerations shared by SRI community to enable potential engagement	Category
Outline clearly defined impact metrics, an impact measurement framework and plan for monitoring impacts. Demonstrate non-linear impact potential if possible. Demonstrate alignment with impact interests of the investor.	Tracking Impact
Demonstrate environmental impact potential (e.g. environmental restoration, carbon emissions reduction, improved waterways and air quality). Define carbon drawdown opportunity (if any). Demonstrate energy consumption is efficient and, ideally, coming from a green source. Articulate a clear waste management plan, water management, and tailings management plan. Show how more environmentally friendly and efficient processes will be promoted and demonstrate a path to eliminate mercury (if present). Ideally demonstrate no mercury use present.	Environmental Impact
Demonstrate the potential economic community benefit (e.g. community royalties). Outline the business model. A cooperative business model that can benefiting many may be more appealing. Demonstrate how money will reach and impact the wider community. Demonstrate how this project will enable access to finance.	Economic Impact
Demonstrate the livelihoods impact for the workers and the impact on the community considering how the enterprise impacts the community. Consider how health and wellbeing can be improved for employees and the community, and how can impact be sustained in the long term.	Social Impact
Outline governance impacts and how the project supports in professionalizing the ASGM sector. Demonstrate alignment with OECD or CRAFT if possible or a pathway to work toward it.	Governance Impact
Demonstrate there is a strong and trusted team on the ground with good community relationships or have a trusted intermediary to invest through. Demonstrate an operational track record. Be working with trusted local partners. If an SRI is directly investing, then they need to have a relationship with the investee. Highlight the stage of the organization, e.g. highlight attractive qualities such as, is it a relatively mature and/or community-based operation that is partway down the formalization journey.	De-risking (trust)
Is the project of a sufficient size to be viable at scale. Demonstrate how can the proposed solution be applied to other sites considering nuance (cultural, geological etc.). Highlight if there is an intermediary that is an expert in the small-scale mining sector that can ensure learnings applied to other projects. Explain how scalable the impact may be and if is that impact non-linear. If it is possible, offer a portfolio approach (investing into a portfolio of sites) which may be more attractive to some as opposed to direct investment into a site.	De-risking (Scalability)
Demonstrate organizational controls and documents are in place to validate the business (e.g. good record keeping, operational track record, production records, business registration, bank account, financial reports). Manage governance risk and understanding of legal frameworks to mitigate against risk of informality (if relevant). Understand the market demand and supply chain. Ensure no child labor, active conflict or violence is present and that there are no exploitative intermediaries. Demonstrate if there is an opportunity to manage risk by blending investment across a portfolio of projects. Demonstrate expected production, clarify how grades were calculated and the assumptions made in the process. Share geological information if available. Demonstrate expected production, clarify how grades were calculated and the assumptions that were made in the process. If currently experiencing low production or, if not currently in production, be able to articulate why and a plan of action to restart production. Articulate clear investment needs (use of capital) and what this will enable (value creation) and share an overview of what has been invested into the operation so far and the milestones achieved.	De-risking (business)
Demonstrate evidence of grass roots solutions being proposed rather than solutions that are top down (driven by investors or other groups). Demonstrate cooperative and community involvement and how they are inputting on, or leading, in defining the terms of the proposed project. Confirm that external investor pressure on ASGM would be beneficial to the project. If an intermediary is present, explain how will it affect the autonomy of the ASGM enterprises, the ASGM project needs to have some degree of autonomy and control on how things are run.	De-risking (unintended value destruction)
Facilitate improved sector knowledge for the SRI including: supporting them to understand the value of the sector, demonstrating the economic viability of ASGM given the scale of these sites is smaller, sharing success stories in the ASGM sector, sharing information on appropriate technologies that can or could be used by the ASGM project and the investment opportunity in technology improvements, communicating the project timeline including timelines to revenue and revenue potential. Improve understanding of technical risk in the sector e.g. what went wrong in some non-economically viable deposits and ASGM projects and how will that risk be managed in this project.	Sector knowledge

Identifying Appropriate Investment

During the knowledge exchange workshop and SRI discussions, a range of investment types and considerations were highlighted. Given the range of project needs and investment types, it is important that ASGM project managers understand their funding needs and are seeking appropriate investors or intermediaries who can facilitate investment. This may include needs beyond mineral processing improvements, which are often centered in the discussion. Needs such as mineral exploration, metallurgy, permitting and launching of new projects could strengthen and de-risk the mining operation. This may present an opportunity for SRIs to consider alternative ways to invest and engage with ASGM, by de-risking the mining operation while also addressing an unmet need. It is also important to seek to work with investors who understand ASGM enterprises are on a journey of continuous improvement, and capacity building may be required before investment is made. This could be supported by initial grant funding or equipment leasing programs for example.

Investment types may range from smaller investments (\$10K) which could be out of scope for many SRIs or direct investment, up to larger (\$2M) investments and span different investment methods such as loans, bonds, equipment leasing or blended finance. Understanding the investor, (e.g. what their interests are, impact goals, expectations, investment terms, ideal size, opportunity for follow on investment) is also helpful to determine if there may be a good match. It was highlighted that patient investment capital is preferable. ASGM typically face the barrier of not having the capital (soft money) that allows them to access finance with a longer pay-back period. It is also important that a prospective investor understands a typical ASGM operation and is willing to accommodate fluctuations in production relevant to the local context (for example seasonality).

While there may be potential for future direct investing, a lower risk entry point could be through investing through equipment lease-to-own mechanisms. However, ASGM groups entering into equipment leasing agreements may seek to do so on new equipment where possible rather than old or secondhand equipment as this comes with higher operational risk (such as break downs, expensive repairs and production delays). Working as a collective or cooperative may enable ASGM groups to negotiate better terms with an investor. Collaborative investment approaches with ASGM associations for centralized processing equipment may also help improve business outcomes, e.g. securing an off-taker on better terms promoting a more fair, transparent and competitive process and price for the ASGM. Leveraging or collaborating with appropriate local or national finance solutions where possible may be preferable to avoid outside investment competing with local finance. Financing mine site restoration or establishing a blended return rate to embed responsibility for post-mining rehabilitation may be an opportunity to ensure better environmental outcomes.

Looking Ahead


This report describes efforts to raise awareness of ASGM as an investment opportunity among SRIs, through direct outreach and engagement with individual entities. Future outreach efforts may consider additional, alternative pathways to building awareness of the ASGM sector, emerging insights and refined communication opportunities.

For example, it may be increasingly possible for ASGM groups to get listed on Socially Responsible Investor Platforms, once they are ready. Engaging in working groups with professional SRI groups may provide an effective path to reach larger numbers of SRIs and build awareness of the sector. Sharing stories and case studies on platforms with a wide reach into the SRI community may also be an effective mechanism to improve sector awareness.

In-country opportunities for awareness building of the ASGM sector could also promote awareness among local and/or national finance sources. Consideration of local finance offerings was highlighted in the knowledge exchange workshop as being important to SRIs. Local fintech, micro-finance lending platforms and service providers may have a greater reach, improving financial inclusion regardless of the size of an SME. In-country academic groups focused on finance and socially responsible investing may also be interesting outreach targets given that these individuals will be entering the domestic finance sector.

ASGM is competing with a range of other impactful investment opportunities. Being able to tell success stories and demonstrate impact may help grow awareness and interest in the sector. De-risking projects, including mitigating against unintended value destruction (negative outcomes may result from solutions or interventions in access to finance for ASGM), is a consideration for both ASGM and SRI groups. In this context, key factors included:

- 1) ensuring any finance solution was not competing with existing local solutions,
- 2) ensuring that proposed finance solutions were appropriate and beneficial to ASGM,
- 3) confirming that external investor pressure does not create unintended negative consequences, and
- 4) ensuring that solutions are driven ground up (not top-down by investors) by ASGM groups and communities where they have the ability input on or develop the terms of engagement.



Given the perception of mining as an extractive and waste generating activity, being able to demonstrate a clear waste management plan and plans for post-mine restoration may be beneficial. Ideally there should be financing and a plan to ensure that the site is properly remediated after mining ceases. It would be a risk for a SRI to invest in mining activities with the potential for negative environmental impacts.

Transparency is a useful approach when communicating with SRIs, for example, if a mine is not producing, management must explain why and have an action plan. If the mine is active, management must articulate the operational risk (based on learnings from past operations or other sites) and activities to mitigate risk. Technology investing or equipment investment as a path to lending may present a lower risk entry point to enable future direct investment into ASGM sites.



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