

## Lesson-Learned Realization of the Financing Program from Financial Services Institutions for ASGM to Procure The Mercury Free Gold Processing Equipment

### Background

Component 2 efforts in achieving the objectives of the GOLD-ISMIA Project, especially the establishment of a financing system for the provision of loans in the context of purchasing gold processing equipment without mercury, have been carried out in accordance with the references contained in the Project Document and also based on the results of previous studies on the conditions of access to financing for ASGM from Financial Services. Barriers and obstacles faced in achieving these goals, especially related to the output target of the realization of the financing program from financial services for ASGM to have mercury-free gold processing equipment is quite challenging, considering the challenges are related to financial services regulations and also the capacity and commitment of ASGM.

- **Initial Concept and Implementation of Realization The Financing Program by Financial Services for ASGM**

At the beginning of project implementation, a strategy was developed that component 3 which focuses on efforts to increase the technical capacity of ASGM through technical assistance, technology transfer and support for formalization, will build mercury-free gold processing equipment in collaboration with BRIN. Furthermore, after going through due diligence and socialization, the equipment will be mass-produced and will be marketed to the ASGM community, especially in project locations. Furthermore, related to the ownership of the equipment by ASGM, Component 2 assists by providing access to financing from a combination of financial services, both bank and non-bank, for ASGM miners. However, along the way, the mercury-free gold processing equipment has not been completed, so component 2 in supporting the achievement of the target "realization of the financing program from LJK for ASGM" encourages ASGM miners to apply for financing to financial services for the purpose of investing in goods/equipment related to gold mining to

financial services. Besides that, the delay in completing the equipment referred to will affect the achievement of target component 2 related to the target "realization of the financing program from financial services for ASGM.

- **Scheme/Mechanism of Access to Financing from Financial Services for ASGM to Procure the Mercury-Free Gold Processing Equipment**

Component 2 in term of the access to financing for ASGM has coordinated and collaborated with several financial services, both banks and non-banks, who are interested in supporting this program. Several banks and non-banks or also called Institutional Investors include BNI; BRI; BPRS Saruma Sejahtera; PT Pegadaian Minut, Kulon Progo, Gorontalo; LPDB KUMKM; SulutGo Bank; BSA Labuha. Each of these financial service is recommending the access to financing schemes for ASGM, including the following:

- Scheme of KUR (Micro credit) for Individual – *BRI/BNI/Bank SulutGo*
- Scheme of Pawned the Gold/Goods/Vehicle Certificate for Individual– *Pegadaian (Pawn Shop) Minut + Gorontalo; Bank Riau Syariah; BSI Labuha*
- Scheme of Sharia Financing Model for Investation/capital – *BPRS Saruma Sejahtera Halsel Malut*
- Scheme of Individual Loan Product - *BPR di Kuansing*
- Scheme of Cooperative Loan Product – *LPDB KUMKM – Kemenkop & UKM*
- Scheme of Loan and Saving provided by Cooperative – Cooperatives received the Low value Grant from GOLD-ISMIA Project

In addition, there are also the financing models for ASGM funded by government institutions which includes:

- Scheme of Low Value Grant for Selected Cooperative – *GOLD-ISMIA Project*

- Scheme of Loan from CSR model – *PT Angkasa Pura DIY*

The reality in the field shows that there is a traditional financing scheme model for ASGM that comes from Individual Investors including investors, gold buyers, and other private sources of funds. This financing model is included in the traditional financing category which involves direct interaction between miners and Individual Investors in terms of financing gold mining activities starting from mining financing to gold processing at gold mining sites. Miners will immediately get fresh money in a short time from Individual Investors without using special requirements such as bank/non-bank financing. In this case the factor of "trust" and mutual cooperation between the 2 parties is the key to the implementation of this financing mode. This system favor by 90% of miner across Indonesia.

### Implementation

The financing scheme model from bank/non-bank or Institutional Investor above has been running by following and complying with the regulations of each applicable institution. So far, the results of project records for the realization of financing for ASGM at the project site for financing schemes from banks/non-banks amounted to ±USD 374,974 including Bank BRI institutions; BPR Cempaka Kuantan Singingi Riau; and PT Pegadaian Kuantan Singingi Riau. Meanwhile, up to now **BNI has not contributed** to the financing of ASGM because some reasons including the BNI office is far from the ASGM operational location; BNI has rules that the distance should not be more than 50 Km from the BNI office location; BNI is too strict in selecting prospective customers, so many prospective ASGM customers fail; BNI does not prioritize financing for the ASGM sector. In addition, there is no support for financing contributions to the ASGM sector from the **KLHK BLU** (Public Service Agency of the Ministry of Environment and Forestry) because this institution has been merged by the Indonesian government into BPD LH (Environmental Fund Management Agency), and there is no financing available for the ASGM sector. Most of the funds from BPD LH are

reforestation funds so that the focus is on reforestation programs.

Furthermore, it can be stated that to implement the financing scheme for the ASGM Sector above, it is not easy and there are many obstacles that must be faced by both bank/non-bank institutions and their prospective customers (ASGM Sector). The role and efforts made by the project to help accelerate the financing scheme for the ASGM Sector in the field, but the results are still not optimal. As for the things that hinder these bank/non-bank institutions are including the issue of legality/permits for ASGM business, there are still some that are not ready/available; ASGM gold production tends to be inconsistent (related to the ability to payment installments – bank loan); Non-Performing Loan from the ASGM sector which is relatively high; bank/non-bank staff who still have not well informed of the financing mechanism of the ASGM Sector; the problem of not passing BI Checking for prospective ASGM customers; and other related issues. However, in its implementation, there are banks/non-banks that have been able to support financing for ASGM activities, but by using the proposed financing other sectors (trade, agriculture, plantations, etc.) which can be financed by the bank/non-bank. For example, the financing model from Bank BRI for ASGM activities in Anggai Island, Obi Island, Halse and its surroundings is the mining ring trade financing model (*model pembiayaan perdagangan lingkaran tambang*).

Meanwhile, the financing scheme model from government institutions that has been realized according to project records with the Cooperative Grant/LVGA Scheme model - GOLD-ISMIA Project for 7 fostered cooperatives is ± USD 542,298 grants for 7 mining cooperatives in 4 project locations. This model has the potential to continue to be developed considering that by increasing the capacity of cooperatives that receive this grant, it will have an impact on increasing the professionalism of cooperatives in managing their businesses so that they will become independent and bankable.

One of the interesting things in the model for financing ASGM activities in the field is the financing model with

support from Individual Investors. As far as the project is concerned, miners find this financing model very helpful because it is very efficient in terms of disbursement time and is also not burdensome for other loan requirements. This model of financing ASGM activities by Individual Investors will be a challenge for banks/non-banks to be included in financing future ASGM activities. The results of the project recording of this financing model for the period 2020 – 2022 have channeled funds from Individual Investors to miners in the amount of ± USD 4,706,174. Taking into account the potential for funding for the ASGM sector from individual investors, it is necessary to have further discussion related to development and recognition by related stakeholders

### Sustainability

Taking into account the financing practices for the ASGM Sector as mentioned above, it is necessary to support the sustainability of the two major financing mechanisms, namely by increasing the role of Institutional Investors (banks/non-banks) to support the financing mechanism for ASGM, and also by the role of Individual Investors. to be considered as an alternative legal financing for ASGM sector activities.

For this reason, coordination and cooperation with bank/non-bank institutions that are categorized as institutional investors and especially those interested in supporting the financing of the ASGM sector need to be carried out, including asking them to learn, consider and also reconsider the ASGM financing scheme used by individual investors. The socialization of bank/non-bank products can continue to be carried out to the ASGM community, of course, supported by conditions that are more affordable for the miners. One of the non-bank institution that is included in the Institutional Investor category that is able to become a competitor of the financing model by Individual Investors is a cooperative institution with its savings and loan unit. One of the alternative financial supports for ASGM by bank/non-bank institutions can also be channeled through financial

support to cooperatives which will then be distributed by the cooperative to miners.



As a traditional financing model for ASGM, financial support from Individual Investors also needs to be considered for development in order to gain recognition from related institutions including both central/regional government agencies.

There is no less potential to develop a financing scheme model for ASGM in the form of grants from both the government and the private sector through the development of ASGM cooperatives, which are quite a lot in Indonesia which still need to get funding support both for increasing professionalism to become a bankable organization and of course having a positive impact on development. ASGM in Indonesia.

In addition to supporting the continuity of funding for the ASGM sector, it is necessary to continue to promote capacity building programs for ASGM miners both on an individual and group/organizational scale in good business management. So that ASGM miners will become bankable and increase their level and criteria so they are able to get financial support from related institutions including institutional investors as well as individual investors.

Written by Singgih Seno Aji (Working Group Coordinator 2) and reviewed by Baiq Dewi Krisnayanti. For more information contact us at: [baiq.krisnayanti@undp.org](mailto:baiq.krisnayanti@undp.org)