

# Microfinance in Artisanal and Small-scale Mining

*With a case study on Microsavings  
for artisanal gold miners in Ituri, N.DRC*



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# “Access to finance”

## The universal recommendation

- ASM groups regularly say they need access to finance
- Consultants, researchers, NGOs, businesses regularly urge the provision of finance to assist ASM
- Need for access to finance:
  - Mine site/pit development
  - Food, equipment, basic needs of miners
  - Payment of taxes
  - Scale-up, mechanization
  - Diversification to alternative/supplementary livelihoods
  - Payment of interest on debt

# Examples of ASM Finance mechanisms

- Mutual guarantee funds and special financing co-operatives can reduce transaction costs and improve access to credit for ASM
- Government loan guarantee funds with flexible payment schemes
- Funds to finance equipment, training, access to markets where credit is not in cash but is given as services (sometimes with matching commitment from the ASM group)
- Revolving funds
- Operational overdrafts on the basis of business plans

# Are these suitable mechanisms?

- Such services have value for small-scale miners who have a degree of organization, business skills, collateral
- ...BUT...
- For many miners this is far beyond their means so we need to look at MICROFINANCE options
- Microfinance is “the supply of financial services to microenterprises and poor families”

# Microfinance services: Credit

- Microcredit is usually a short-term, high interest rate loan for working capital to the self-employed poor
- High interest rate due to the high cost of handling large numbers of small loans
- Repayment may be difficult therefore such credit is a risk and is sometimes called “microdebt”



# Challenges in extending credit to ASM

- Migratory lifestyles
- Lack of land tenure
- Marginal legal status
- Poor financial and business planning skills
- ASM areas may be remote with limited access to financial organizations
- Limited ability to confirm the scale or value of the resource therefore little collateral
- Poor organization to access traditional financial institutions

# Microfinance services: Savings

- Grameen Bank considers that expanding access to safe savings is an over-riding priority
- Even for the very poorest (including those who are not eligible for microcredit) micro-savings may be a key tool for poverty alleviation
- The lasting beneficial social development effects of microcredit may depend on simultaneous facilitation of microsavings

# Case study: Ituri DRC

- Pact with USAID and AngloGold Ashanti
- Provision of microsavings support to ASM gold diggers (orpailleurs)
- Adaptation of Pact's 'Worth' program which assists 200,000 women in 8 countries





# Aims

- Supporting self-generation of capital to overcome the challenge of access to finance
- Improving financial management skills to assist in addressing issues of debt
- Increasing miners' ability to capture, save and transform more of the value of the minerals
- Improving literacy rates among young, male artisanal miners, many being ex-combatants

# How does it work?

- Twice weekly meetings of groups of miners
- Swahili language literacy classes by local volunteers under supervision of Pact counselor (many volunteers are unemployed teachers)
- Arithmetic classes and financial management skills training



# Weekly savings

- Savings start once the group becomes regular and established (maybe after 2-3 months)
- Regular contributions to a communal savings box (triple key holder system)
- Funds used as internal loan capital – individually or for communal expenditure by the group
- Some wish to invest in improved ASM
- Some wish to diversify or exit ASM (e.g. fish or meat trading; wood saws; seeds for agriculture; trading in fuel)



# Results to date

- First 6 months 2009, 272 men signed up to create 11 savings groups
- First month of savings: average \$2.38 per man per month
- Collectively \$550 to date
- Momentum increasing as savings grow
- Early days but indications are good
- Miners themselves are keen to progress to enterprise development training



# Limitations

- This will not suit migratory ASM
- Developing the loan pool takes time and the amounts available tend to be small – so this is will not meet the needs of small-scale mining
- Group cohesion and solidarity are critical success factors and may be rare in some ASM
- Participation is time-consuming



# Positive characteristics

- The cost of the program, per member, is low
- There is no major capital investment needed beyond materials
- Teachers can be restored to their previous occupations
- Builds the communities' capital and resources
- Can deliver non-financial social benefits



# Conclusions

- Introducing a savings culture to ASM may be an important empowerment activity
- Savings can help buffer against financial shocks
- Savings are not an exclusive alternative to credit but rather an essential precursor
- Savings develop financial management skills and a credit profile to make access to loans possible
- Savings can contribute to reduction of ASM debt
- Savings can increase a person's sense of self-worth, self-reliance, confidence, and improve control over their own future

*Thank you – Merci mingi – Asante sana*

