



Investing in Sustainable Mountain Development

Opportunities, Resources and Benefits

Sustainable Mountain Development Series

A golden future for the steppes



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When Mongolia's centrally planned economy collapsed and unemployment became endemic, the desperate gold rush that ensued left a trail of environmental devastation. To organize and formalize the search for gold, a donor-funded programme enabled Mongolian artisanal miners to become a respected part of the formal economy, and pioneers in producing Asia's first certified, responsibly mined gold.

For eight months of the year, Mongolian artisanal gold miners live in mining camps such as these (SAM)

After 70 years as a centrally planned socialist republic, Mongolia transitioned towards a Western multi-party system and market economy in the early 1990s. Following the collapse of most state-owned enterprises and an abrupt economic downturn, Mongolia's mineral endowment enabled the country to recover quickly. Large mineral deposits attracted foreign investment in the industrialized mining sector, and artisanal and small-scale mining (ASM) surged. Up to 100 000 Mongolians turned to ASM to escape poverty and build new livelihoods.

Artisanal mining directly and indirectly supported over 15 percent of the population. However, it was characterized by rudimentary methods of mineral extraction, serious environmental impacts, tax evasion, illicit minerals trade, dire safety conditions and paltry social welfare. This prompted widespread opposition by both the public and the state, with attempts by the state to halt ASM by force, arresting and torturing miners and dispossessing them of their equipment.

In 2005, the Swiss Agency for Development and Cooperation (SDC) launched the Sustainable Artisanal Mining (SAM) project to support Mongolia in its efforts to develop a responsible and sustainable ASM sector. The project's main strategy was to reverse the vicious circle in which ASM was trapped. Integrating ASM into the formal economy was expected to provide incentives for formalization and responsible practices, while creating stakeholder confidence in the development potential of ASM. In 2014, the project strategy shifted towards a human-rights-based approach, empowering rights-holders to realize their rights and strengthening duty-bearers to comply with their human-rights obligations. Formalizing ASM also meant economically strengthening all stakeholders along a transparent and formal gold supply chain.

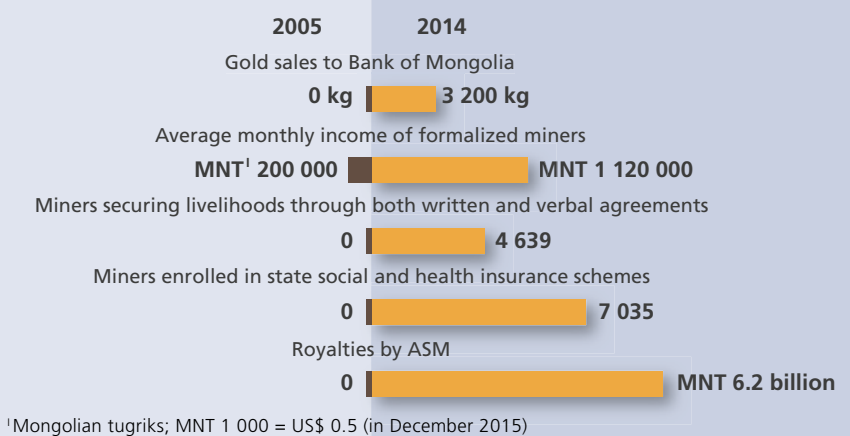


"As we started to take responsibility for our mining operations, attitudes within our community and our society have changed. They no longer see us as threats to their well-being, but rather as partners and contributors to the development of our community."

Byambadorj, former head of XAMODX association of miners

Lessons learned

A snapshot of SAM project results



SDC contributed CHF 10 million to the SAM project between 2005 and 2014. The funding was allocated to training and advisory services for ASM producers, and to support government counterparts in developing successful strategies to formalize ASM.

As a result, more than 7 000 miners are now working formally, under agreements between local ASM organizations and the local government. They are registered for social and health insurance, and pay taxes. In 2014, the average monthly income of formalized ASM gold miners was 18 percent higher than in 2013. Best practice examples of environmental reclamation, occupational safety and increased local development contributions are emerging. The recently established ASM Federation is increasingly becoming a strong and effective policy actor and advocate for miners' rights. The Ministry of Mining as well as ministries responsible for labour, social protection and health have committed to pursuing further formalization of the ASM sector. And notably, the public and political perception of ASM has improved considerably.

In the past, gold production from ASM disappeared almost entirely on the black market. Formalization of ASM and the formerly illegal gold supply chain achieved that in 2014, approximately 25 percent of the gold officially purchased by the Bank of Mongolia originated from ASM. At 2014 average gold prices, these 3.5 tonnes of gold bought from artisanal miners in the national currency were equivalent to US\$ 140 million in foreign exchange and US\$ 3.5 million in royalties. The same amount of money was injected – through artisanal gold miners – directly into the local rural economy.

Artisanal and small-scale mining (ASM) is a poverty-driven activity that provides essential livelihoods and income for rural communities. ASM in Mongolia consists of formal or informal mining operations that mainly employ simplified forms of exploration, extraction, processing and transportation for production of gold, coal, fluorspar and other minerals. It involves men and women, youth, adults and the elderly, who either work individually or in family groups or partnerships.

- Formalizing the artisanal and small-scale mining (ASM) sector allows gold miners to increase their income by eliminating the substantial cost of informality (e.g. bribes). It also enables governments to collect a reliable revenue stream and generate foreign exchange reserves.
- Applying a human-rights-based approach – empowering rights-holders and strengthening duty-bearers – ensured the project's effectiveness.
- ASM has the potential to become a key driver of local development and an important pillar of macroeconomic stability, provided it is supported by an enabling legal framework.



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Note: URLs were last checked on 26 November 2015.

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