On Route to Ending "Dirty Gold"

Gold mining is often done at huge scale by a well-capitalized mining company, which essentially digs a massive hole using high-tech equipment. More high-tech equipment pulls the ore from the ground. This is called large-scale mining, or LSM. The large mining company likely follows at least one set of standards such as the Responsible Gold Mining Principles.



The large mining company's ore is used to produce rough, unfinished bars at a processing plant on site or very near the mine.



From the processing plant, logistics firms transport the gold to a refinery, one accredited by the LBMA (an industry trade association). Global market participants, central banks, and industrial consumers alike will trade the gold products that the refinery produces with the confidence that gold has been responsibly sourced.

But this organized, regulated approach is far from the only one in gold mining.

Artisanal and small-scale mining, or ASGM, is the opposite of LSM. There is no formal infrastructure. It is highly manual, less safe, and usually unregulated. Artisanal miners, located in underdeveloped countries with no other job choice to survive, are typically at the mercy of criminal organizations. The approximately 20 million ASGM miners receive very little compensation for the gold that they mine.



Without access to a processing plant, artisanal miners often have no choice but to sell at below market prices to illegitimate intermediaries who use the excess profits for more crime.

One game-changing idea to break the tyranny of organized crime in golf mining consists of two parts. (1) build small processing plants where artisanal miners could bring their gold, and (2) the country's central bank buys the gold. If the central bank wished, it could send it on to an LBMA refinery.

David Tait, CEO, World Gold Council, suggests that building 1,700 small processing plants near mining communities with a total cost between $5-7 billion would be transformational in the effort to eliminate bad actors from the gold supply chain and improving the artisanal miners' lives.

ASGM is responsible for 20% of the world's gold supply each year (approximately 23.5 million oz.). That is approximately $94 billion in value (based on $4,000/oz.). Without even factoring in the ethical step-change for the miners themselves, a one-off $5-7 billion investment sounds very attractive.

Read more about bringing ASGM. See "The Role of Gold Processing Plants in Artisanal and Small-Scale Mining" and "Silence is Golden: A Report on the Exploitation of Artisanal Gold Miners to Fund War, Terrorism and Organized Crime," both of which can be accessed at gold.org. Additionally reading: "A new era in renewal in artisanal mining" can be found on the World Bank website.

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