

London Principles on Central Bank Artisanal Small-scale Gold Mining Domestic Purchase Programmes



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Central bank purchases of gold produced by domestic artisanal and small-scale gold miners (ASGM) in local currency can be a cost-effective means of building gold reserves or of acquiring gold for subsequent sale in foreign currency on international markets. These Domestic Purchase Programmes (DPPs) may contribute to financial resilience and stability.

ASGM is an important source of livelihood in many gold-producing countries. But, while some estimates suggest that 15 million people make their living from ASGM, the environmental, social and governance (ESG) as well as gender-related practices widespread in this sector risk perpetuating poverty. Progress in formalisation, which is key to addressing such practices, has been limited.

The participants in this initiative believe that well-structured ASGM DPPs have the potential to contribute to sustainable development, provide a new impetus to formalisation and to raising ESG standards. The aim of this initiative will be to benefit the livelihoods of responsible small-scale miners, the regulation of the sector and the integrity of the gold market.

The inaugural signatories are Banco de la República (Colombia), Banco Central del Ecuador, Bank of Mongolia, and Bangko Sentral ng Pilipinas.

Participating central banks affirm the following operating Principles to guide this initiative:

- 1. Legal frameworks, resourcing and transparency:** Creating the infrastructure for a successful ASGM DPP provides an opportunity for central banks, and relevant government agencies, to work together in increasing the formalisation of responsible ASGM entities. It is essential that programmes are based on appropriate legal and regulatory powers, adequate resourcing and strong coordination between national and sub-national governmental agencies. The operation of DPPs should be included in central bank public reporting and opportunities considered for cooperation with national Extractive Industries Transparency Initiative processes directed at building public understanding and accountability.
- 2. Community wellbeing:** DPPs should seek to raise mine health and safety standards and protect miners, their families and communities from abusive labour practices including child labour and forced labour.
- 3. Mercury reduction:** ASGM is the principal source of anthropogenic mercury pollution with grave implications for water, soil and air pollution and human health. DPPs should complement Minamata Treaty National Action Plans, support a reduction in mercury use and seek to promote the adoption of alternative, environmentally responsible technologies for use in ASGM.
- 4. Due diligence:** DPPs should conform with the framework provided by these Principles and reflect risk-based, international due diligence standards^[1], designed to prevent the production of, and trade in, gold from fuelling conflict, funding organised crime or causing abuses of human rights. Due diligence should also cover environmental risks.

5. Progressive improvement: Considering the complex nature and characteristics of informal ASGM entities, DPPs should seek to establish procedures which support progressive and constructive engagement with those miners who act responsibly and, in good faith, seek formalisation. DPPs should seek to give a voice to legitimate ASGM actors and their representatives.

6. Formalisation: Formalisation should benefit responsible ASGM actors through providing greater security of tenure, and improved access to capital for investment in their operations. For public authorities, formalisation creates opportunities to improve environmental performance, to combat the loss of public revenues inherent in illegal mining and illicit financial flows, and to combat corruption. For supply chain participants, formalisation makes it easier to establish provenance, to bolster the integrity of the gold market and to enhance end-user confidence.

7. Incentives: It is important to ensure that DPPs are based on realistic economic incentives, including in relation to the prices offered to attract the sale of material and the applicable fiscal regime. Formalisation may involve additional costs and responsibilities for ASGM producers. It is, therefore, important, to consider, in cooperation with fiscal authorities and other government agencies, the balancing potential of capacity-building measures and of access to more efficient infrastructure and processing technologies.

8. Rule of law: ASGM DPPs should aim to strengthen the rule of law and to promote accountability and appropriate transparency. Such programmes depend upon the provision of adequate security for producers and those involved in the purchase infrastructure. Observance of relevant human rights conventions is of fundamental importance in securing public confidence and the cooperation of ASGM entities.

9. Accessibility: Accessibility is fundamental to the success of ASGM DPPs. This includes facilitating responsible ASGM groups to fulfil relevant permitting and regulatory requirements. It also applies to ensuring that the purchasing infrastructure put in place (whether this be directly operated or,

for example, through licensed aggregators) is accessible to those responsible ASGM actors who wish to participate.

10. Access to 'clean' finance: Central banks with regulatory powers over the commercial banking system should consider using it, or work with relevant regulatory agencies, to facilitate access to banking services and investment capital by responsible ASGM actors whilst guarding against money laundering.

11. Refining purchased gold: Domestically-produced gold purchased in local currency from ASGM can strengthen confidence, financial stability and economic resilience. Gold purchased from DPPs must be refined at LBMA Good Delivery List refineries.

12. International cooperation: Since ASGM production is susceptible to smuggling and misuse in money laundering, central bank DPPs may be bolstered by cooperation with appropriate regulatory, fiscal and law enforcement agencies in neighbouring countries and with international law enforcement agencies.

