

MINERAL POLICY

Definition

- A mineral resource policy is generally defined as a broad plan of action adopted by the government;
- This is in order to ensure that mineral resources development provides its maximum contribution towards meeting its social and economic development objectives.

Key elements of social and economic policy

- Political Economic Policies which relates mostly to the type of government;
- Fiscal policies which consists of government expenditures and taxation;
- Monetary Policy.

Structure of Mineral Resource Policy (MRP)

- The structure of MRP is of fundamental importance in meeting the expectations of mineral resources development.
- It is structurally comprehensive to deal with all aspects of mineral resources development.
- The mineral resource policy should be clear and must not be vague.
- The conceptual MRP formulation encompasses 3 levels of activity.

Cont ...

- (1) The establishment of evaluation criteria i.e. how to assess the MRP and how to get the anticipated goals.
- (2) The assessment and ranking of mineral policy options in the order of priority;
- (3) Evaluation and selection of programs of action.

Objectives of Mineral Resource Policies

- An important structural component of any policy is that it must have a clear set of objectives or purpose.
- The following are the objectives of the Mineral Resource Policy.
- **(1) To maximize government revenues.**
- The exploitation of mineral resources has been identified as an important source of government revenues from taxes, royalties etc;
- The funds from mineral resource development is required to finance other sections of the national economy.

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- (2) **Foreign Exchange earning**
- Mineral Resources developments provides foreign exchange to most governments;
- e.g. Zambia from Copper is about – 80%
- Zimbabwe from Gold (SSM) – 50%
- Botswana Diamond – 90%
- Angola Oil export – 90%

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- **(3) Regional Development objectives**
- To improve rural infrastructure;
- Employment provision;
- **(4) Further Domestic Processing;**
- Most MRP encourages further processing of minerals in order to add value.

Cont ...

- **(5) Diversification objectives**
- It had been the desire of most mineral economies to achieve some level of diversification for 2 main reasons:
- To diversify production in order to lessen dependence on individual mineral commodity exports.
- To encourage industrialization by developing other sectors of national economy by diverting revenues from existing production to finance diversification programs.

Other objectives

- Import substitution to save foreign exchange for strategic reasons.
- Transfer of technology.
- Reduction in country's dependence on foreign expertise by encouraging training of local personnel.
- Mineral conservation from destruction exploitation through high grading, premature abandonment of the mines, improper mining methods etc

Elements of Mineral Policy

- Typical MRP contains the following elements: -
- (1) Legal framework.
- (2) Financing of mineral resource development.
- (3) Taxation.
- (4) Environmental and Health protection.
- (5) Institutional framework support.
- (6) Infrastructure development.
- (7) Domestic processing.
- (8) Small-scale mining promotion, where such activities are significant.

Legal Framework

- The development of mineral resources depends on the establishment of sound and stable legal framework environment.
- This is probably the most important element of a mineral resource policy.
- The legal framework includes all mining laws and other related regulations that are designed to guide mineral investments activities in a country.

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- Important aspects covered by the legal framework include:
- (1) Mineral rights
- (2) Foreign investments in the sector
- (3) Environmental / health regulations
- (4) Marketing of mineral products
- (5) Taxation
- The broad objective of the legal framework strategy is to regulate monitor and stimulate mineral investment.

Financing of Mineral Resource Development

- Mineral Resources Development cannot take off without the necessary financial resources;
- e.g. Africa is the least explored due to lack of resources and the high-risk nature of mining.
- Therefore, mineral policies should include financing mineral resource development incentives to be allowed during exploration and inflow of resources during mining.

Taxation

- Mineral resource policy should spell out the tax system of the country in which mineral investment should be done.
- All mineral taxes to be clearly outlined in the MRP.

Environmental Protection

- MRP should also be formulated such that it protects the environment from mining operations.
- Therefore, provisions should be made for environmental controls.
- Objectives of environmental controls are to reduce or ideally eliminate damage to the environment.
- In the absence of controls the cost of environmental damage (i.e. externalities) are borne by society.
- Controls internalize these costs so that they become part of production costs of the operations causing the disturbance.

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- Environmental controls may fall into the following classes:
- (1) Limiting on the quantity of firm's output that the firm can put into its external environment.
- (2) Limits on the amount of pollutant that can be present in the firm's external environment.
- (3) Imposition of the emissions or ambient controls on a firms external or internal environment such as heat, noise and dust controls on heavy equipment, and
- (4) Land surface disturbed by mining activities be restored in a specified manner at the end of production life.

Institutional framework support

- For every policy in any country, there must be implementing agency.
- However, institutions in certain countries find problems in implementing these policies due to lack of resources to implement policy

Infrastructure Development

- This mostly applies to small scale mining.
- Most Small-scale mining are located in rural areas where infrastructure is very poor e.g. lack of schools, hospital, telecommunication and roads etc.
- This makes investment in these areas unattractive.
- Therefore, mineral policies should include policies that will encourage infrastructure development in these areas.

Domestic Processing

- The objective of this policy is to add value to mineral products prior to exportation;
- Every country would like to see to it that it exports processed materials to add value, which is about 5 times, more than original value.
- This will also create employment and boosting local industrialization and establishment of linkages with other sectors of the economy;
- e.g. lapidary industry which provides a market for the miner, creates employment
- The polished and cut stones can be exported with a high value.

Promotion of Small-scale mining

- It is the objective of MRP to promote small-scale mining;
- This will;
- Provide employment to people in rural areas;
- Provide infrastructure;
- Uplift the living standards of people in rural areas.

Mineral Resource Policy Constraints

- Legal framework constraints
- Marketing constraints
- Financial constraints
- Technology constraints
- Infrastructure constraints
- Institution framework constraints

Legal framework constraints

- Mining legislation regulates Title Rights and obligations of miners, administrative and judicial procedures and establishment of authority.
- The most significant mineral registration constraints concern mineral rights.
- Sometimes the procedures in getting mining rights are also complex.
- Constraints arise also from complex procedures that do not provide an easy access to mineral right especially to small-scale miners.

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- The acceptable attributes of a transport system of mineral rights recognizes the fact that the exploitation of mineral resources follows 3 phases.
- (1) Prospecting which includes reconnaissance and exploration works (require prospecting and exploration license).
- (2) Mining (need mining license)
- (3) Marketing of mineral products (need marketing legislation regulating the disposal of mineral products)

Cont ...

- Other legal framework constraints include;
- Fees should be reasonable;
- Mining rights must be transferable;
- Duration of mineral rights should be long enough e.g. 5 – 10 years;

Marketing Constraints

- Most small-scale miners find problems where to sale their gemstones;
- This is because gemstones can easily be smuggled and also because of complex marketing arrangement.
- Thus most of the time they are swindled by middlemen.
- Therefore, the MRP should include an established clear and transparent channel of marketing of precious stones.

Financial Constraints

- The major constraint facing small-scale mining is availability of finance.
- This is mainly due to high risk nature of the type of mining.
- Also collateral for small-scale mining is difficulty.
- Most people who run small scale mining are not technically qualified posing a high risk to survival of the sector.

Technology constraints

- Technological constraints is a combination of two factors;
- (1) Lack of financial resources (lack of equipment machinery & working capital).
- (2) Technical incompetence (lack of management and technical skills) is also lacking in small-scale mining sector.

Infrastructural constraints

- Infrastructure is not a major constraint to small-scale mining.
- However, when families settle in mining areas, then they become constraints e.g. school, roads, and health institutions.
- Security is also a major problem.

Institutional framework constraint

- Need mining inspectors to control small-scale mining.
- Need institutions like Ministry of Mines to issues permits licences etc
- Human & financial resources constraints