

# Why formalize artisan miners?

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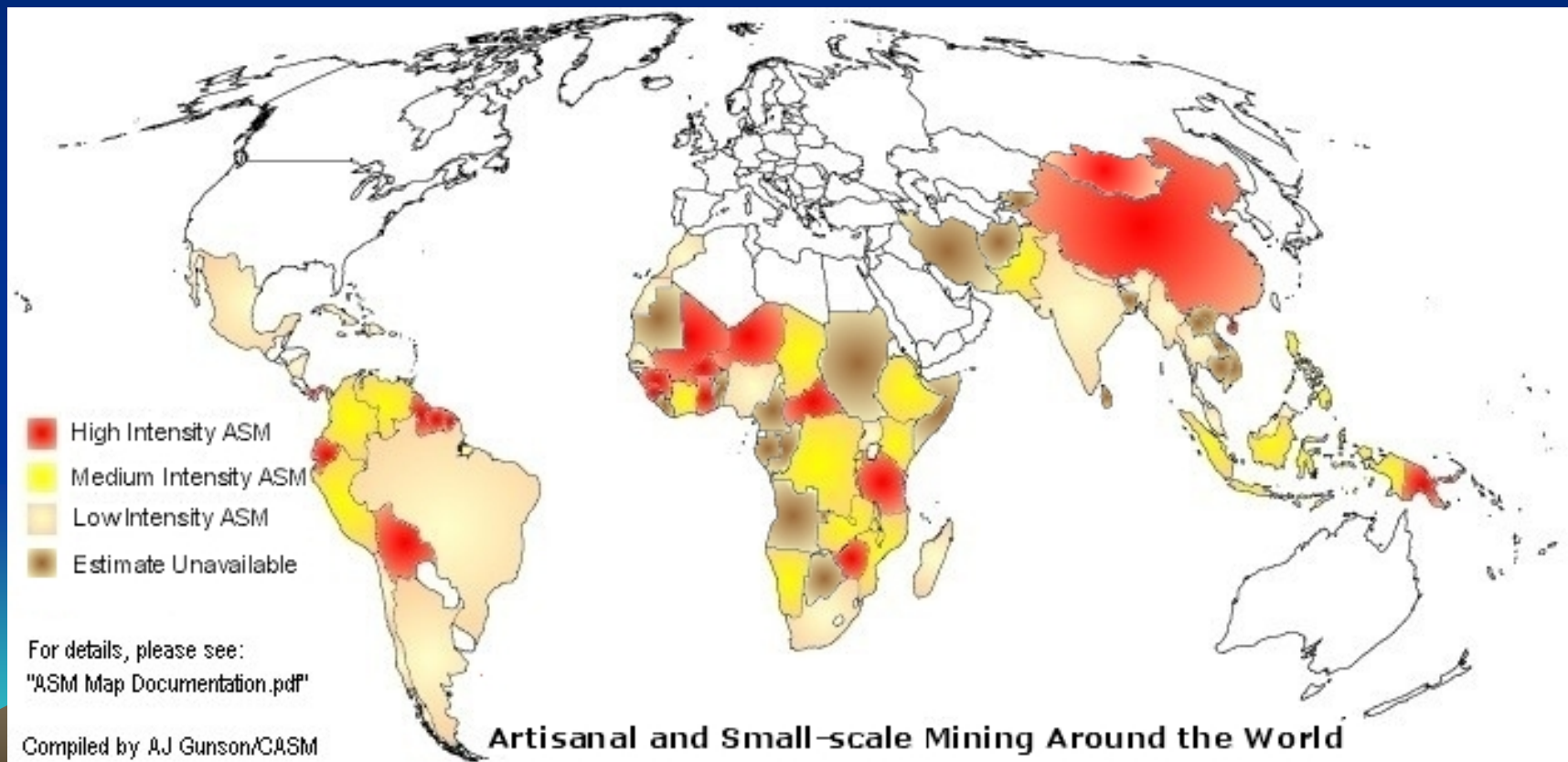
# Miners are important

- >13 million artisan miners world wide
- Earn 4 to 9 times farm incomes
- Contribute to GDP—often invisibly
- Reduce rural poverty
- Build rural capital for SME investment
- Build rural community infrastructure
  - Schools, clinics, pharmacies
  - Telecom, electricity, roads



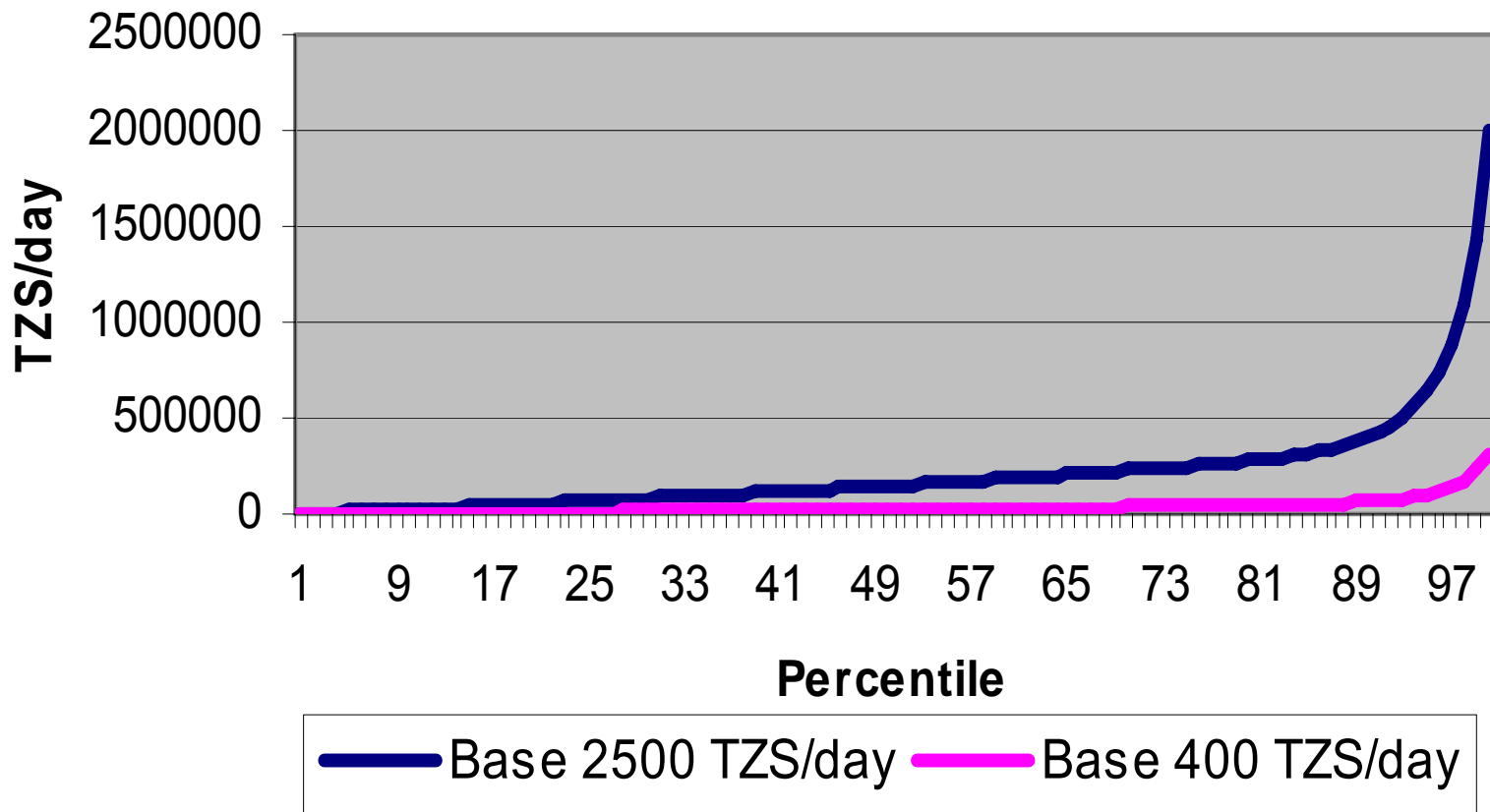
# Intensity of Artisanal & Small-scale Mining Worldwide

## Map by A.J. Gunson, CASM




# ASM → 550,000 middle-income jobs in Tanzania

## Cumulative Income



# Even during peace, mines cause problems

- Mine rushes
  - Environmental problems
    - Unprotected holes
    - Mercury
    - Dust—in air and water
    - Water pollution
  - Child labor
  - Low returns to community?
  - But these are also true of agriculture
- 

# Resource curse partly a crisis of leadership

- Blood diamonds, pirated gold and petrol
- Gold/diamonds/timber → buy arms → ensure access to resources & power
- Who buys arms using mining revenue?
- Government
- Military
- Militias
- Who sells? Arms traders/"advisers"



# Recovery formula

- Controls on arms trade, disarmament
- UN peacekeepers
  - Sierra Leone, Liberia, CAR, DRC
- Kimberley process for diamonds, EITI big cos
- No equivalent for gold—still secretive
- Mine law, policy and registry, with military and political leaders ineligible
- Creating legal chain of custody
  - Traceability from mine to market

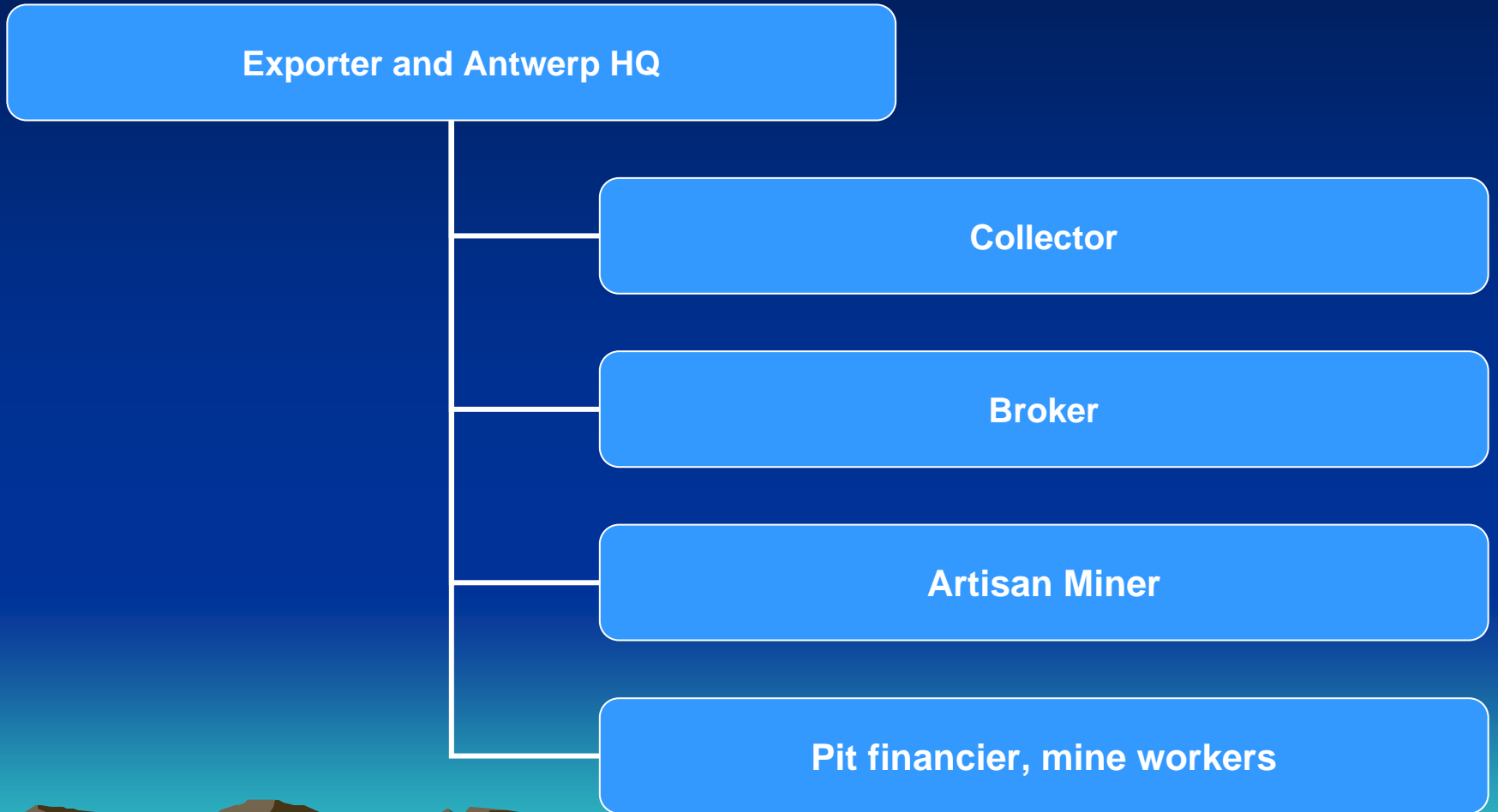


# How do governments formalize mining?

- Land-based titling through a mine claims registry
- Person-based licensing
- Chain of custody document trail
- Bonding, investment requirements
- Royalties
- Taxes



# CAR diamond chain



## Mining Sector Taxes & Fees–CAR

Type	Collector	Artisan miner
<b>License</b>	Required: \$2,000/yr	Required: \$70/yr + \$4 for each worker
Alternative minimum tax		
Contribution to social development		
<b>Special tax on diamonds</b>	Assessed on collector, paid by exporter	
Employer withholding on salaries		
Registration fee		
Corporate tax		
Property tax		

# Mining Sector Taxes & Fees–CAR

Type	Exporter	Mining Company
<b>License</b>	\$36,600/yr for HQ in Antwerp \$7,800 for buyer/exporter Real estate investment \$500,000 + bond & escrow \$100,000	\$355,000/yr, exempt 1 <sup>st</sup> 3 years
<b>Alternative minimum tax</b>	3% of export value	3% of export value
<b>Contribution to social development</b>	10% of salaries paid	10% of salaries paid
<b>Special tax on diamonds</b>	3% Assessed on collector, paid by exporter	Not required
<b>Employer withholding on salaries</b>	5% of salaries + ≥\$60/mo	5% of salaries + ≥\$60/mo
<b>Registration fee</b>	12% of annual rent	12% of annual rent
<b>Corporate tax</b>	30% of profit	30% of profit
<b>Property tax</b>	20% of annual rental value	20% of annual rental value

# Liberia Priorities

- Concessions review process for Transition period
  - Fifty-some concessions under review
  - Mittal Steel renegotiated
  - Oil exploration being reorganized
- EITI application



# Formalization structure

- Class C licenses (Prospecting, mining)
  - \$150/yr/25 acres
  - Liberians only
- Class B Joint Ventures
  - \$5000/yr—at least 5 class A blocks
- Class A Reconnaissance, Exploration, Concession: Only Iron Mining Co + 20 in exploration phase



# In Liberia: Sanctions

- Drive artisanal sector into illegal mining/trade
- Thousands reportedly want to mine

	'04	'05	'06
PROSPECTING LICENSES	10	13	28
CLASS C LICENSES	210	16	51
BROKERS	16	5	1
EXPORTERS (JV)	1	0	3

# Obstacles to compliance

For artisans and collectors

- For title, knowledge gap: lack of geology & management skills, likeliest areas already claimed
- Travel to provincial office for license application
- Travel to another office to pay fees
- Travel to a third office to pay taxes
- Harassment and extortion at each step
- Risk of theft increased by license possession



# Government view of formalization

- Will give diggers access to claims—and give government control of land issues
- Will reduce smuggling
- Will enhance tax collection
- Will improve returns to communities
- Will control rushes
- Will enforce environmental responsibility



# Miners' and brokers views

- Benefits ephemeral
  - Claim titles not available
  - Licensed brokers harassed more than illegals
- Willing to buy license
- Willing to pay royalty
- Time and cost obstacles too high



# Solutions

- Mine rush strategy—Go, not Stop
- Mining extension
- Documentation for traceability
- Information centers/web cafes with guides
- Standardized agreements? Fair trade?
  - Pit boss/workers; buyers/sellers; financiers/miners
- Financial services & investment info
- Associations or cooperatives
- Community-based security—NOT ARMED FORCES



# Light touch

- Rule of law is badly needed by miners, but it often comes in the wrong forms
- Precious mineral markets are volatile
- Armed forces and mining are an explosive mixture
- Governments need repeated convincing that a light touch works best
  - Spelling out incentives
  - Process mapping



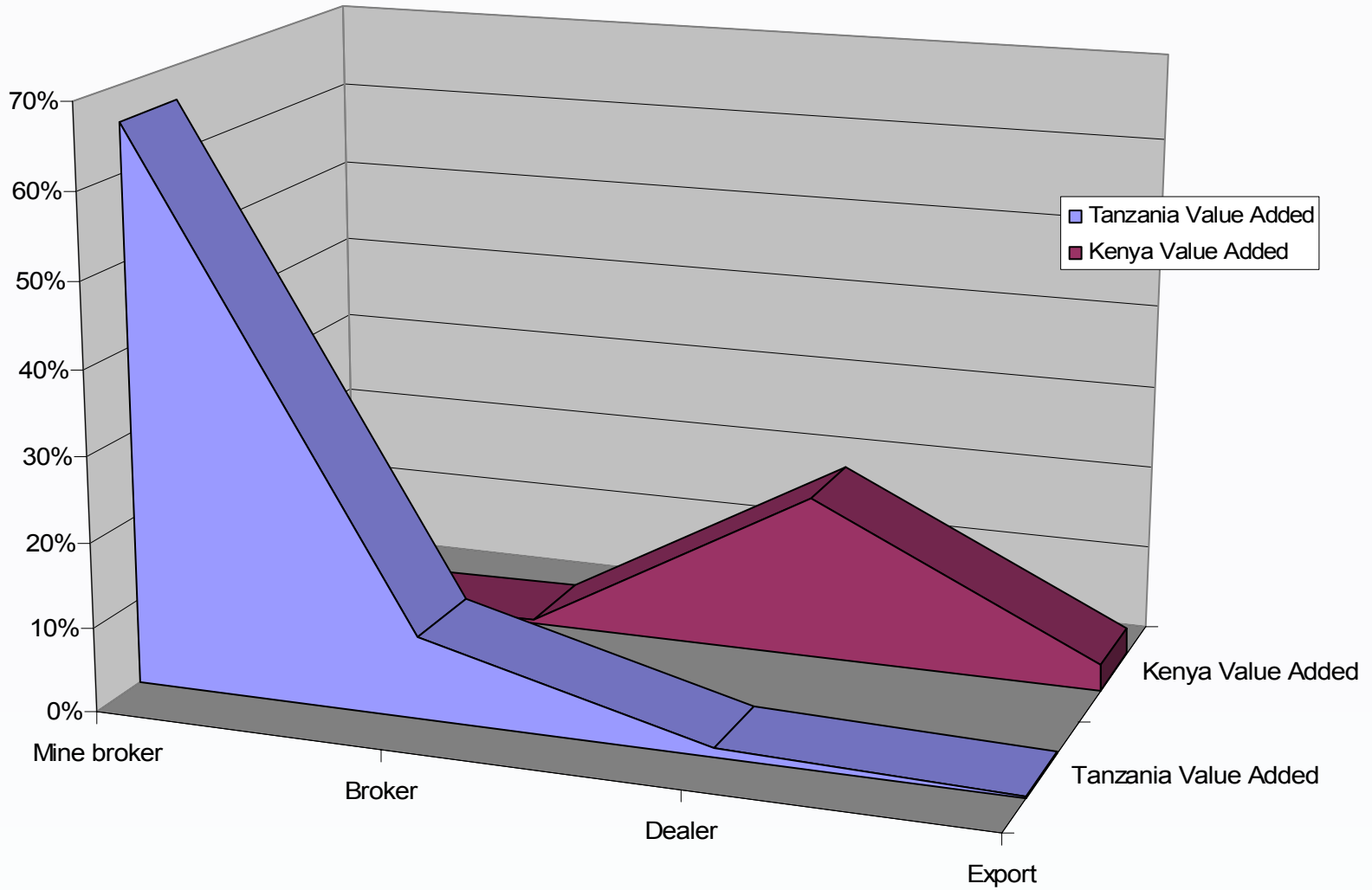
# The challenge is to make it work!

Thank you.

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**Figure 1 Regional Value Added from Artisanal Gold**  
**77 Percent of Total Stays in Tanzania despite 95 percent Kenyan Exports**



# Figure 2. Tanzanite Value Added, 63% Stays in Tanzania

