



MINISTRY OF ENERGY AND MINES



CHANGING THE OPERATION CLIMATE IN MADAGASCAR MINING SECTOR

CASM LEARNING EVENT COLOMBO

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ECONOMICAL DATA

- **SURFACE : 590,000 km²**
- **5000 km of coastline**
- **16 million inhabitants**
- **50% of population less than 20 years old**
- **85% of active population in rural areas**
- **\$4.5 million GDP 2003; 9.6 GDP growth**
- **\$250 GDP per capita**

ECONOMICAL DATA

- **5% actual contribution of mining sector to GDP**
- **\$30 million value of exports in 2003 by mining commodities**
- **major mining exploration projects in nickel, titanium, ilmenite,**

DIAGNOSITC OF THE PREVIOUS SITUATION

- Only 3% is the part of the mining sector in the GDP ;
- Policy and legal framework not attractive for potential investors;
- Mining lease grant is not transparent;
- Problem of governance in mining sector.

STRATEGY ADOPTED

- Rendering the mining sector fully transparent;
- Promoting large scale mining investment;
- Eliminating smuggling within gemstone sector;
- Increasing the value added contribution of mining sector to the country's economy.

What have been already done

- Publication of new Mining Code in 1999
 - All investors on the same footing
 - Licensing by steps : 3 months exclusive temporary exploration permit, 10 years exclusive exploration renewable once of 5 years, 40 years operating license renewable multiple for 20 years each;
 - References to labour standard and calls for environment protection and improved socio-economic program

What have been already done

- Establishment of the Madagascar Mining Cadastre Office with the condition « the first come, first served », which is a computerized management of mining lease;
- Granting exclusive temporary exploration permit at the localities with high mining activities by the moving Madagascar Mining Cadastre Office.

What have been already done

- Publication of Large-Scale Mining Investment Law to provide security for investment over \$ 100 Millions in legal, taxes, customs and foreign exchange provisions.

DIAGNOSITC OF THE PREVIOUS SITUATION SPECIALLY IN GEMSTONE

- Less than 10% of the value of the production is officially known.
- The high quality gemstone exported through black market
- 98 % of gemstone exported are rough

DIAGNOSITC OF THE PREVIOUS SITUATION SPECIALLY IN GEMSTONE

- The rush is so permanent in gemstone region
- Existing a lot of intermediate (local and expatriate) in gemstone trade
- Delay of the exportation procedure too long

SOLUTION TAKEN

- Organization of the sector and responsabilization of local communities and authorities (proximity management for rush resolution and decentralized management of mineral resources)
- Establishment of the Institute of Gemmology of Madagascar



Proximity management of rush

- Installation of Mining Administration Office at the high mining activities regions,
- Capacity building of the local communities and authorities (legal framework, social, and environmental...)
- Formalization of illegal artisanal miners



Decentralized management of mineral resources

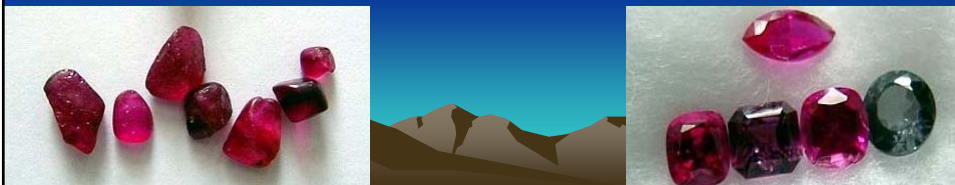
- Capacity building of the local authorities (legal, social and environmental...)
- Capacity building of the decentralized mines administration
- Publication of training booklet for small scale miners



The Institute of Gemmology of Madagascar

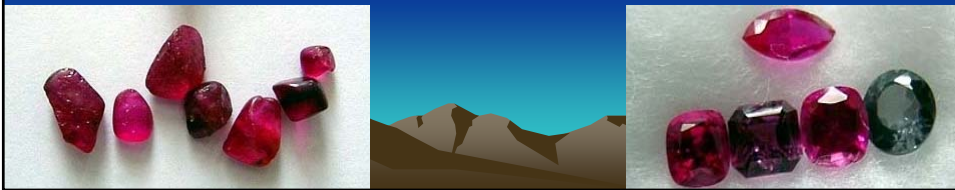
Establishment of the Gemmological Institute of Madagascar to :

- provide world-standard instruction to Malagasy gemmologists in stone buying and selling, banking, appraisal and consulting



The Institute of Gemmology of Madagascar

- strengthen local capacity in lapidary arts to enhance value-added and attract buyers for locally cut and polished stones
- establish a gemmological laboratory that will issue internationally recognized certificates for cut colored gemstones from Madagascar and pursue gemstone research



Buying centres and One stop shop

- Establishment of buying centre with which small artisanal miners can sell stone with better prices (collaboration with USAID);
- Potential buyers can procure stone and export directly in security;



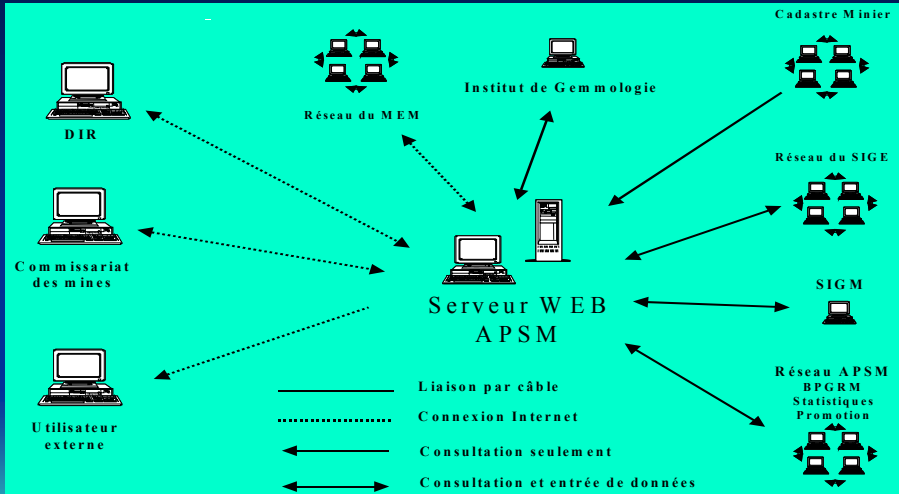
Buying centres and One stop shop

- Exporters pay directly Government taxes no need to introduce an extra tax to gemstones;
- Establishment of One stop shop for simplifying the exportation procedure and securising the operation.

Implementation of geological and air geophysical surveys,

- develop and update geoscientific information on the mining sector,
- update the current cartography surveys and develop a capacity to teledetect mining potential.

Intranet – extranet network for the mining sector



• THANK YOU