

DEVELOPMENTS IN GOVERNMENT SUPPORT TOWARDS SMALL SCALE MINING INITIATIVES; THE PAST AND THE PRESENT

By Charles Simbarashe TAWHA
REGIONAL Mining Engineer, Harare Office, Department of Mining Engineering

Small Scale Mining SSM has claimed a noticeable position in the mining sector by providing the nation with significant economic benefits. However SSM operations have been practiced far below their full potential due to numerous constraints. Operating under the current conditions has led to ill practices that have impacted negatively on the environment, the mineable resources, communities and the miners themselves. Progress in this sector has been inhibited by lack of financial resources and inadequate support or extension services. This has led to lack of planning and stunted mining operations. Due to the increase in the production from this sector which has been noted, various initiatives have been set in motion to promote and develop the sector. The government has been called upon to put up clear policies, strategies and implementation matrixes to develop this sector as an integrated approach. As a way of triggering development of this sector, a review of the outdated Mining Industry Loan Fun facility has been done giving birth to a new financing facility called Mining Industry Development Fund. This presentation seeks to present why this was done and expectations form this initiative

Introduction

Mining, in general, is capital intensive business with high yields. However the pay back periods for mining projects are long. Such a scenario calls for special business attitude and conducive operating environment. For growth in the sector, there is need of injecting adequate resources.

However Artisanal and Small Scale Mining (ASM) is often characterized with low income and paltry savings. The operators are caught in poverty cycles leading to inability to invest, low productivity, low recoveries, inadequate and inappropriate technologies. Poor health and safety standards are the norm. Considerable environmental damage is the end result of SSM.

As a way of breaking the cycle, Ministry of Mines and Mining Development has revisited its support to the small scale mining sector in order to boost its contribution to the economy. Besides the upgrading of the financial support, the Ministry is also addressing other issues that have curtailed the growth of this sector.

The Past : Problems affecting ASM

In order to stock take on the development done in addressing the issues of ASM, it is important to highlight the challenges that have inhibited growth of this sector. A lot of studies have been done and have identified the following

Poverty

Miners engaged in ASM are caught in activities that give poor returns. This leads to low incomes and paltry savings inadequate for investment. Consequently mining operations are often characterized by low productivity due to lack of mechanization and unsuitable methods which result in low recovery, poor health and safety standards and considerable damage to the environment. Miners operate without choices and from a disadvantaged position, and fail to break the cycle. Operations are conducted on a subsistence level primarily as a stop gap measure for sustenance. Mining, under these circumstances is therefore a social event rather than a business venture.

Economic impact

Mining has the potential to economically empower the poor and disadvantaged. However this sector is not fully aware of the immense contribution economically realized from it. Due to the weak understanding of their potential, miners have been unable to build their capacity to negotiate for improvement in their operating environment. In return for failing to realize the full benefits and potential, the sector has been overlooked.

Legislation

The legal frame work has not been dynamic to cope with the demands of the sector. Most operations are being carried informally outside the requirements of the governing Acts. There are a number of mining titles available not necessarily compatible with ASM. This unfortunately pushes miners to operate, in some cases illegally, or deliberately ignore the demands of the law. The mining titles allowing panning activities fail to recognize the high mobility of artisanal miners, security of tenure and occurrence of mineable deposits especially alluvial gold deposits.

Health and Safety

The informal and unregulated operations result in poor health and safety standards. Some miners have introduced machinery and reagents without matching safety measures unaware of the risks introduced. The miners have unknowingly exposed themselves to hazards. The risks go beyond occupational hazards. The AIDS pandemic has not spared this sector. The threat to the productivity of the sector has been huge.

Environmental concerns

Mining in general impacts negatively on the environment. However the mining sector has sold the idea of mining for sustainable development. Unfortunately for ASM, due to pressures to survive, the focus is on realizing returns at the expense of other demands. Lack of awareness and capacity on the part of the miners has militated against noble intentions to survive. In the process, environmental aspects are constantly overlooked to the detriment of the ASM, since the negative impacts are taken as an indicator for the sub-sector.

Relationship with other Stakeholders

ASM has been often viewed with suspicion and disgust. Areas with noticeable ASM have also witnessed numerous conflicts and lack of long term tangible developmental investment. The relationship between the large scale mining sector and ASM has not been at times of coexistence. In this country most of our big mines were borne out of the activities of small scale mining. It has been demonstrated in chrome mining that

there can be a symbiotic relationship between these two sub-sectors. The sector should build on such experience to improve the relationships within itself and beyond.

Initiatives

The government has recognized the challenges faced by the sector and is in the process of supporting this sector in a number of ways. Implementation of these initiatives should improve the position of ASM and trigger meaningful development.

Legislation

It has been realized that the current Mines and Minerals Act has failed to address fully the concerns of the mining sector especially the ASM. Consultations were done with various stakeholders that have formed the basis of the expected changes in legislation. Currently the Act is under review to capture the concerns raised. In order to build trust and transparency, consultations will be done with the various stakeholders on the proposed changes. The process should lead to a better operating mining environment.

Financial Assistance Scheme

By the nature of their operations ASM failed to attract investment. Financial support services are not readily available to the sector due to the perceived high risk associated with the sector. There existed a facility to financial support scheme called Mining Industry Loan Fund which was established in 1924. Whilst the broad objective of the fund of providing financial services to the small mining sector remains valid serious shortcomings were identified that had made the fund irrelevant and inappropriate. The MILF failed to stimulate development of the ASM by failing to focus on the needs. Low capitalization and administrative problems overshadowed the benefits of the MILF.

In response to the potential role the sector could play in the economy of the country, a review of MILF was done leading to a new scheme called Mining Industry Development Fund (MIDF).

MIDF

The financial facility has been refocused to provide development support to small and medium mining sector in Zimbabwe. This means that the fund is not expected to be driven by profitability or the achievement of a return on capital employed targets.

The purpose of the fund, with respect to small and medium scale mining sector, is to

1. Provide on a sustainable basis financial and material support
2. Provide financial and services support in the form of loans, access to plant, equipment, tools repair and maintenance facilities
3. Offer concessionary interest rates on loans to promote development
4. Provided vibrant back-up services through regional workshops dedicated to serve the small and medium sector.

In order to achieve the above, various packages listed below are on offer to the miners. The support services are provided on condition that the existence on a registered mining location, of an economically mineable orebody is confirmed by the Ministry of Mines and Mining Development technical officers.

Speculative development Loans

This loan is targeted at the development of an orebody that requires detailed investigation in order to establish ore reserve, economic potential and estimated mine life. Due to the high risk in such projects, the sum of the speculative development loans should not exceed ten percentile of the fund's total loan portfolio.

Establishment Loan

This form of support is targeted toward those miners who want to establish a mining operation. It will cover capital costs and not operational expenses except for marketing needs.

Mine Expansion, Replacement and Maintenance Loan

This form of support shall be provided to registered mining location for the purposes of expanding their operations, replace capital equipment and finance major plant and equipment maintenance. Plant refurbishment cost is also covered.

Plant Loan

This support is for procurement of mining equipment and plant. Refurbishment of equipment can be supported through this loan.

Working Capital Loan

In cases where it is established that there is need of working capital support this loan shall be made available for a maximum period of 6 months.

Plant and Equipment Hire

Plant and equipment shall be made available to target group of miners under a three year lease to buy scheme. The normal contractual period shall be 36 months at the end of the period ownership shall be transferred to the miner.

Plant, Equipment and Tools Operational Lease scheme

This support is available to miners who shall lease plant, equipment and tools for period of up to 24 months. The ownership of the plant, equipment and tools shall remain with the fund.

Repair and Maintenance facilities for Plant, Equipment and Tools

Workshop facilities shall be provided by the fund for the maintenance of plant, equipment and tools. Miners can access this facility even for equipment the miner may not have procured through the Fund.

Cash Sale

The fund shall sell on cash basis plant, equipment and tools.

Special support

The needs of the miners may vary from time to time and for this reason there is a provision in the constitution of the MIDF that allows The Permanent Secretary for Mines and Mining Development to cover for such needs.

Subsidy

In the event that there is need to provide loans at subsidized rates, the government may do that through this facility.

Capacity Building

In an effort to develop the skills of the small and medium scale miners, the Ministry has encouraged this sector to positively assume an identity, by forming vibrant mining association which should address the problems of lack of planning, managerial skills and poor communication. A small scale miner acting alone or in a small group has little bargaining power to access finance, training, marketing and skills development opportunities.

AIDS/ HIV

The key risk factor in the spread of HIV/AIDS especially in areas where ASM is practiced is poverty. Rather than dealing with the issue as a mining problem, a multi-sectorial approach is an option available.

Conclusion

Numerous challenges have to be overcome by ASM despite the growth that has been realized in the immediate past. The government sees the provision of financial support to be a strong intervening measure that can transform the sector. Benefits from this sector have the potential to grow significantly. Government has retained the financial support to the sector as its commitment towards its development. However, financing initiatives go beyond government sponsored support. Building the capacity of the miners will definitely open up avenues for smart initiatives. It is hoped that the MIDF facility will be a positive catalyst on the exploitation of the mineral resources to the maximum benefit to the country.