

Non-Fuel Minerals and Mining in India: Background and the way forward¹

Rajesh Chadha and Ganesh Sivamani

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To become a globally competitive and self-reliant sustainable mining hub, India must ensure mineral security for the 21st century, provide inter-generationally optimum resources to the states' exchequers and adequate returns to the mining companies, rely on state-of-the-art technology and create additional jobs, while ensuring environmental sustainability and welfare of the affected communities. Through its backward and forward techno-economic linkages, the mining sector can be a catalyst for the growth and development of the manufacturing sector and the economy as a whole.

I. Background

The mining sector in India, which has been subjected to serious regulation on various counts, has not posted growth to its full potential. This sector can become a catalyst of much-needed socio-economic growth. Agriculture and mining are two primary sectors of production in the economy. While agriculture is important for income and employment in rural areas and for sustainability and food security, mining is an equally important sector in the context of manufacturing and mineral security for “Make in India”. Unfortunately, both these sectors have remained neglected due to a lack of efficient policy regime but with one major difference – while agriculture has surplus workers who need to be moved out of the sector, mining has the potential to employ more workers, but has not been enabled to create these opportunities.

Growth of the mining sector for reconnaissance, exploration and extraction can help boost employment (direct, indirect, and induced), accelerate manufacturing activity as well as overall economic growth. Additional jobs could be created for the unemployed and the under-employed workers in agriculture. Increased production is expected to result in higher exports and lower imports and thus help reduce overall merchandise trade deficit.

The number of reporting non-fuel mines (total metallic and non-metallic, excluding atomic, fuel and minor minerals) has been declining in recent years. The number declined from 1,616 in 2016-17 to 1,405 in 2018-19. The number of metallic mineral operating mines went down from 685 in 2016-17 to 625 in 2018-19; the corresponding numbers for non-metallic mines were 931 and 780, respectively.²

India has a skewed distribution of mining leases (about 4,382 in total). While about 58% of mining leases are less than 20 hectares

in size, just 9% are 200 hectares and above, and 33% of leases are between 20 to 200 hectares.³

The mines and minerals sector in India is regulated by the Mines and Mineral (Development and Regulation) Act, 1957.⁴ After India's economic liberalisation in 1991, a comprehensive National Mineral Policy was announced in 1993.⁵ It outlined for the first time the idea of opening up exploration to the private sector. This was followed by some amendments to the MMDR Act in 1994 to facilitate private sector investment, including foreign direct investment (FDI), in the mining sector. Later, in 1999, MMDR was further amended introducing reconnaissance permit (RP) for private entities as a precursor to getting prospecting license (PL) followed by mining license (ML).⁶ In 2006, 100% FDI was permitted in the mining sector, through the automatic route, which does not require approval by the government. Even though many applications were received for RPs and PLs, only a few converted into MLs. Public sector entities like Geological Survey of India (GSI), Mineral Exploration Corporation Limited (MECL) and state government agencies had inadequate resources to take this work forward. In any case, firstly, these entities are not technically suited for the cutting-edge, highly specialised work of exploration of all minerals; secondly, state enterprises should be wary of expending tax resources on the highly risky work of exploration. Of course, GSI has done excellent work on creation and upgradation of geoscientific information and mineral resource assessment. MECL has accomplished exploration under multiple projects. Based on the report of a High-Level Committee of the erstwhile Planning Commission, a revised National Mineral Policy was announced in 2008.⁷

¹ All content reflects the individual views of the authors. Brookings India does not hold an institutional view on any subject.

² Table 2.1, page 13, Annual Report, 2018-19, Ministry of Mines, Government of India.

³ Table 2.2, page 13, Annual Report, 2018-19, Ministry of Mines, Government of India.

⁴ <https://mines.gov.in/writereaddata/UploadFile/MMDR%20Act,1957.pdf>

⁵ https://mines.gov.in/writereaddata/UploadFile/Policy_Legislation_more.pdf

⁶ <https://mines.gov.in/writereaddata/UploadFile/Chapter-I.pdf>

⁷ [https://mines.gov.in/writereaddata/Content/88753b05_NMP2008\[1\].pdf](https://mines.gov.in/writereaddata/Content/88753b05_NMP2008[1].pdf)

More recently, the Mines and Minerals (Development and Regulation) Act, 1957 was amended in March 2015 and re-titled as the Mines and Minerals (Development and Regulation) Amendment Act, 2015, deemed to be effective since January 12, 2015.⁸ Based on subsection (1) of Section 9B, District Mineral Foundations (DMF) would be set up in any district affected by mining-related operations to benefit affected persons and areas. A follow-up announcement was made by the Ministry of Mines in September 2015, which mandated the mining companies to contribute 10% of royalty to respective DMFs for mining leases granted on or after January 12, 2015 and 30% for the ones with leases granted before January 12, 2015. A new programme was also launched by the Ministry of Mines titled Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) to be implemented through DMF funds. Subsection (1) of Section 9C mandated the government to establish a non-profit trust, viz. National Mineral Exploration Trust (NMET). The trust would spend resources on exploration as prescribed by the central government. The holders of mining and prospecting-cum-mining leases shall pay a fee equal to 2% of royalty to NMET.

Subsequently, the government announced the National Mineral Exploration Policy (non-fuel non-coal minerals) in 2016. The policy outlines the strategy and a plan of action for ensuring comprehensive exploration of non-fuel mineral resources in the country.

A National Geoscience Data Repository (NGDR) is proposed to be constituted by GSI. It would collate, process, interpret and disseminate baseline and other mineral exploration information through a geospatial platform.

In 2018, the Ministry of Mines prepared the National Mineral Exploration Trust Amendment Rules to amend the 2015 rules.⁹ States will now have to deposit the fund collected under NMET to the Consolidated Fund of India instead of the trust's own bank account. However, it will still be administered by the Ministry of Mines as earlier.

II. National Mineral Policy (2019): The way forward

The National Mineral Policy (2019)¹⁰ (NMP) provides a vision of how India should implement future policy to accelerate growth of the production of non-fuel minerals. The Indian government has set multi-pronged targets to advance socio-economic growth in India. The NMP states: "The outcomes expected from these policy proposals are, an increase in the production of MCDR (*Mineral Conservation and Development Rules, 2017*) minerals (in value terms) by 200% in 7 years; and on the other hand, reduce the trade deficit in minerals sector by 50% in 7 years."¹¹ Other related targeted expectations include: to make India a US\$5 trillion economy by 2024-25; to increase India's exports from US\$500 billion in 2018 up to US\$1000 billion by 2024; and doubling farmers' income by 2022-23 (from its 2015-16 level). These targets seem more distant now that the fifth bi-monthly Monetary Policy Statement of the RBI (December 5, 2019) states that India is likely to grow by only 5% in 2019-20. All the subsectors of the economy have taken growth hits.

The NMP unambiguously states that exploration, extraction, and management should add to the country's economic development by boosting domestic industry (Make in India) and reducing import dependence. It provides assurance for a regulatory environment that is conducive for "ease of doing business with simpler, transparent and time-bound procedures for obtaining clearances", along with security of tenures with rights of transferability of concessions. The Indian Bureau of Mines (IBM) and the State Directorates of Mining and Geology would be the regulatory agencies through e-governance and IT-enabled monitoring along the mining chain. The state would facilitate and regulate exploration and mining activities, collect taxes, and provide infrastructure. Incentives shall be provided to private entities to invest in the state-of-the-art technology. The policy also mentions "an endeavour to auction mineral blocks with pre-embedded statutory clearances". However, it would be pertinent to review and suggest alternative methods of allocation that are *objective, fair, and transparent*.

The government agencies would continue to perform the tasks of survey and exploration and encourage the private sector to undertake exploration activities. Public funds shall be used to explore areas which lack private investments due to uncertainty.

Efforts shall be made to prospect and explore minerals where India has the geological potential, but poor resource and reserve base. These include "energy critical minerals, fertilizer minerals, precious metals and stones, strategic minerals and other deep-seated minerals which are otherwise difficult to access and for which the country is mainly dependent on imports."

A much-needed single regulatory authority has been envisioned in the policy: "A unified authority in the form of an inter-ministerial body under Ministry of Mines, with members like Ministry of Coal, MoEarth Sciences, MoEFCC, Ministry of Tribal Affairs, Ministry of Rural Development, Ministry of Panchayati Raj, Ministry of Steel, including state governments, shall be constituted to institutionalise a mechanism for ensuring sustainable mining with adequate concerns for environment and socio-economic issues in the mining areas, and to advise the Government on rates of royalty, dead rent etc.". It would be ideal if the authority executes its work to facilitate optimum utilisation of mineral resources.

NMP 2019 states: "Under the 'Make in India' initiative, the Government of India aims to increase the share of the manufacturing sector in the economy. This national initiative requires a holistic development of the mineral sector on a sustainable basis in order to fulfil the demand of downstream industries dependent on mineral/ore supply."

Finally, "The success of this national mineral policy will be critical in propelling India on to a loftier development trajectory. Successful implementation of this policy and shall be ensured by achieving a national consensus among various key stakeholders and their commitments to fulfil its underlying principles and objectives."

⁸ https://www.mines.gov.in/writereaddata/UploadFile/The_Mines-and-Minerals_Amendment_Act,2015.pdf

⁹ <https://www.mines.gov.in/writereaddata/UploadFile/notice09022018.pdf>

¹⁰ <https://mines.gov.in/writereaddata/Content/NMP12032019.pdf>

¹¹ http://ibm.nic.in/writereaddata/files/04192017182323MCDR_2017.pdf



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