A Quick Guide to an Attractive Investments Framework for Mines and Quarries
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The four most important elements:

I. State strength
A state which is legitimate and capable at all levels (national, regional, and local). A government whose policy decisions are credible and broadly accepted and an administrative apparatus that can implement these.

II. Limits to state strength
Institutional checks and balances that support the legitimacy of government and the administrative apparatus, and guard against abuse of state power at all levels (national, regional, local).

III. Compatibility of formal and informal rights, institutions and rules
Legitimacy of formal economic institutions guarding essential necessities of a stable economy (exchange rate, fiscal sustainability).

IV. Technical capacity of the public sector and decision makers at all levels

Legal and Regulatory Framework

I. Basic constitutional set-up, general legal framework and legal mechanisms of consensus building and conflict resolution at all levels of government.

II. Consistency within the regulatory framework for public sector management and the interface between public and private sector at all levels of government and state-society relations.

III. Compatibility of mining-sector specific legislation with general constitutional and legal framework.

IV. Legitimacy of property rights and ability to enforce these peacefully at all levels (national, regional, local).

V. Company legislation and ownership structures

VI. A regulatory framework that supports all enterprises (large, medium, small, micro).

The Legal and Regulatory Framework – guiding questions

- What political system does the constitution set out (presidential/parliamentary democracy/autocratic regime, centralized/decentralized system of government, one/two legislative chambers)?
- How are legislative, executive and judicial powers distributed across different levels of government (national, regional, local/municipality/villages)?
- How citizens are represented (electoral rules, party structures, party discipline)? How is political representation structured across different levels of governance (national, regional, local, municipality/village)?
- What has the relationship between the legislature and the executive been? Have legislative decisions been challenged by ad hoc executive decisions? Have executive powers been overriding legislative powers?
- How is the executive/government administration structured across different tiers of governance? What decision-making powers do different levels of the executive branches have? How are lower levels of executive/administrative powers linked to lower level legislative powers?
- Are there any perceptions as to what guides executive decision-making? How predictable are government’s decisions (at different levels) for the private sector in general and the mining industry in specific?
- Are there any perceptions as to how senior executives at different government levels relate to the polity (in particular interests/elite groups) and broader society?
• What are the broad rules, regulations and practices for public service employment, including appointments/discharges/promotions at the different administrative levels?
• Are there relevant state-owned enterprises and special agencies? When/how have these been created? How are these overseen by central government/administration? What are the respective governance arrangements?
• What broad legal regime is in place? How property rights are structured, particularly with respect to land, natural resources (above/below surface)?
• How well are property rights and other rights enforced? What are the chances/costs/obstacles for defending one’s property rights successfully? Who might be contesting property rights and why? Are there conflicting or uncertain property rights?
• What experience do companies have with legal regime/legal tradition/functioning of the judiciary? Does the respective legal regime impinge on company’s risk assessment?
• What laws, rules and regulations govern the conduct of private sector business, and in particular the mining industry? What requirements are in place?
• What sector specific legislation is in place (mineral laws, extraction rights, environmental requirements, labour laws, mitigation requirements, etc.), perhaps at different levels of government? Is this legislation applied, or is it ‘flexible’/unpredictable?

IV. Capacity of the ‘state’ to formulate and implement policies down the vertical chain of public authority from central government to the very local level.

The Political-Administrative System
– guiding questions

• Who takes policy decisions at the national, regional and local level? How do those with decision-making powers obtain political power? How do they exercise authority?
• How do policy decision-making processes work at the national, regional and local level? What about the transparency of the decision making process? Predictability? Expectations?
• What is known about the direct or indirect involvement of the polity/elite/interest groups in domestic policy making processes at different tiers of government? Are there strong private-sector interest groups defending a particular status quo and seeking continued access to, for example, inefficient rents that undermine broader socio-economic development?
• How do interest groups ‘voice’ their interests at the different levels of government (national, regional, local)? What institutional channels exist? What informal channels are there?
• How are citizens represented at the different levels of government? Do citizens’ representatives (legislature) influence and scrutinize government policy decisions? What sorts of public debates and feedback takes place? Are legislative outcomes credible and legitimate?
• How are policy decisions implemented? How effective and efficient is public administration? Where are the typical bottlenecks? Why might these exist?
• What sorts of public sector/administrative reforms have been tried and pursued in the past? What has the experience been, and why?
• How well do national level policy decisions ‘travel’ down the vertical chain of public authority from central government to the very local level? How does this impact on the implementation of key policy decisions? How well do policy needs (decisions, regulations etc.) travel up the vertical chain of public authority from the local level to the central government level?
Fiscal Regime and Economic Policies

I. Sound aggregate macroeconomic management, including exchange rate regime and monetary policies.

II. Legitimacy and dynamics of fiscal (revenue) regime, including taxation, royalties, tax exemptions.

III. Public expenditure management capacity. Allocative and operational efficiency at different tiers of government (national, regional, local).

IV. Non-conflicting fiscal accountability relationships between the electorate, the legislature and the executive, and within the executive at different levels.

V. Public administrative system and capacity at all levels (national, regional and local).

Fiscal Regime and Economic Policies – guiding questions

• What are the broad structures of the fiscal regime in place? What are the key tax and non-tax revenue items? How does direct and inducted revenue from mining operations relate to overall revenue collection?
• At what levels of government are taxes and other revenue collected? Do lower levels of government have institutionalized rights to collect and retain revenue? At what levels of government can revenue policies be set?
• How is revenue distributed across different levels of government (constitutionally set revenue sharing formulas, centralized system of government spending, set or variable grants to lower levels governments etc.)? Have there been social or intra-governmental tensions and conflicts over the sharing of revenue?
• How significantly does revenue from extractive industries feature in the government budget? At what level of government is which revenue from the extractive industries collected? Is some/all of this revenue retained at the collection level? Does a revenue sharing formula apply? If, how does this link to the political and administrative system of the country?
• What is the tax regime for the mining sector? How does it compare internationally?
• What sorts of incentives are inherent to the tax regime? What sorts of tax exemptions are granted and upon which conditions? How predictable and stable are tax policies?
• Have there been major shifts in revenue policies in the past? If so, have these been directly or indirectly linked to extractive industry activities? What has prompted changes in the tax regime?
• How are revenue collecting agencies administered and overseen across different levels of government?
• For decentralized states or where conflicts and tensions have occurred, how do revenue collection powers link to political representation?
• What agreements have been reached on tax and royalty payments between companies and government? With whom have agreements been reached? Have agreements been subject to renegotiations? How do country specific agreements compare to agreements reached elsewhere?
• How does the budget allocation process work? How transparent and comprehensive is the process (see standard International Financial Institutions diagnostics, or the Extractive Industries Transparency Initiative if the country is a signatory)? Which parts of the executive and the legislative are when involved in the allocative decision making process? Are there fixed rules and are these adhered to?
• Beyond the description of fiscal performance in Stage 3, what expenditure trends (over time and within year) can be observed (see Public Expenditure Reviews and other diagnostics), and is there any inference on the driving forces/political economy behind expenditure trends?
• What is the general assessment of the public financial management system (see Country Financial Accountability Assessments and other diagnostics)? To what extent do fiduciary risks exist? Where are the weaknesses in the budget cycle? Is the approved budget a good indicator for actual spending? Has the Public Financial Management system improved in recent years, or deteriorated?
• What role and power does Supreme Audit Institution have? Are its reports meaningful and proof of the propriety of public funds? Are other accountability institutions functional (public accounts committee)?
• Have major macroeconomic policy shifts taken place and if, what/who has initiated these? Beyond the description of macroeconomic performance is there any inference on whether particular domestic interest groups have influenced choices over broader macroeconomic policies?
Private Sector Development

I. Regulatory framework for economic activities for different sized enterprises (large, medium, small, micro).

II. Supportive public services at the national and sub-national level. In particular:
• Infrastructure National and regional regulatory policies, coverage, collaborative funding and financing arrangements at different tiers of government;
• Utilities National and regional regulatory policies, coverage, collaborative funding and financing arrangements at different tiers of government; and

III. Human capital and labour market institutions. Supportive educational policies at different tiers of government and different educational levels.

Private Sector Development – guiding questions

- Is there a thriving private sector in the country? For example, does private economic activity make up a large proportion of GDP and is the private sector growing?
- How important is the informal sector of the economy? If it is a large proportion of economic activity, why are more businesses not in the formal sector of the economy?
- Is the private sector diversified, for example with strong sectors and businesses in agriculture, extractive industries, manufacturing, tourism, financial/business services and personal services? Or is the country dependent on a relatively narrow range of economic sectors? Is the development trend towards diversification or to concentration in particular sectors?
- Is there a difference between the success and vigour of small, medium and large enterprises, or between companies in the formal and informal sectors? Is one sector growing more quickly than the others, or is one contracting?
- How easy is it to start up a new business? How many different permits and licenses are required, and how many days does it take to get the required licenses and permits?
- Has there been a history of heavy government involvement in the country’s main economic sectors? For example, were some sectors nationalized by government, or was the establishment of certain sectors down to government interventions?
- What is the attitude of the government towards the private sector? Does the government argue for a strong role for business in national development, or is the government more focused on theist own role?
- Is the business sector effectively represented by trade associations or a business friendly political party? What role have these had in influencing the development of the private sector, and has this role been controversial? What do other stakeholders think of business representatives? For example, are they generally seen as acting in the public interest, or just in the interests of their investors?
• Is the tax regime considered to be business friendly by investors? Do the government or the population at large believe that tax rates are too low or too high, and are there many disagreements about this?

• Is the country open to foreign investment, and if so in which sectors? Are sectors that are considered to be strategic, such as oil and gas, minerals or manufacturing, open for foreign companies? Can foreign companies easily buy domestic companies, and is it easy for domestic companies to invest abroad?

• Is the country open for foreign trade? For example, is it a member of the World Trade Organization or any free trade areas, and how high are external tariffs? What is the value of trade as a percentage of GDP?

• Do businesses believe that labour market regulations are conducive to doing business in the country, or are requirements too onerous? What is the view of other stakeholders, such as labour unions, political parties and the public at large?

• Does the government intelligently regulate or invest heavily in infrastructure in a way that benefits businesses? For example, are highway, railway, energy and telecommunications infrastructure widely available and of a high standard?

• What is the role of government in delivering such infrastructure services? For example, does it use private finance or contracts, does it regulate to ensure both competition and fair returns to investors or does it take the lead and provide the infrastructure itself?

• How has the mining industry affected the development of infrastructure, for example has it provided or funded investments? Do mining companies and government coordinate the provision of infrastructure? Have other sectors benefited or suffered because of mine related provision?

• Does the government invest in education, and are graduates from schools and universities of the standard required by private businesses, or do businesses need to invest in supplementary training and educational activities?

• Do government regulators and institutions – and businesses – observe legislation or legal decisions concerning the property and affairs of private business?

Social Cohesion and Public Service Delivery

I. Community development, and local organizational capacity: Orderly organizational rights and opportunities.

II. Industrial/labour market relations that are conducive to consensus building.

III. Institutional mechanisms for consensus building and management of different socio-economic interests.

IV. Political representation with structured institutional channels for interest representation at all levels.

V. Basic welfare and social system across all geographical areas.

VI. Equal opportunities in access to primary and secondary education across all geographical areas.
Social Cohesion and Public Service Delivery – guiding questions

- What are the broad organizing principles of the social policy system (health, pension, unemployment, other social risks)?
- What does the constitution or government policies set out as the social responsibilities of the state? What is the coverage?
- What entitlements to citizens have?
- Is the social policy system a tax-funded system, an insurance-based system, or a combination of the two? How are social services funded?
- Who are the main providers of social services? What government entities and at which level of government? What private sector providers are there (for example faith based organizations)?
- Does government actually provide the social services for which it formally takes responsibility? Is it capable to do so?
- Is access egalitarian or skewed towards certain regions and areas (urban/rural etc.)? Note that some of this information is available in Poverty Reduction Strategy Papers.
- In addition to the social services that government provides, what social services do companies provide? Are companies supplementing or substituting government’s provision of basic social services? If the latter, what are perceived to be the major constraints for government’s inability or unwillingness to provide basic services?
- Do companies and government collaborate in the provision of social services or with respect to inputs to the provision of social services (skills, training capital investment etc.)?
- For the health care system in particular, what are the organizing principles of the national health care system in terms of providers, funding, access and rights to health care (tax funded, insurance scheme, mixed schemes)?
- Does project level health care link up with the national health care system (either privately or publicly operated)?
- How is insurance against major social risks (accident, injury, death, unemployment) organized? How do company and national schemes link in this respect?
- For the education system in particular, what are the organizing principles of education systems, for example, with respect to national curricula, educational rights and requirements, education policies, professional and vocational training schemes?
- How is the provision of education funded (basic/secondary/tertiary at different levels of government)?
- What professional and vocational education schemes are in place in the public sector but also with respect to the mining industry?
- Does the national education system deliver the required skills, which the industry needs? If not, how does the industry cope with achieving its labour demand?
- How does the mining industry relate to professional associations, continuous education institutions etc.? What initiatives has it had to undertake to satisfy its labour demand?
- Does the mining industry support the certification of skills and continuous education for staff? And if so, how? Is this in any way coordinated with national education policies? Are there any government regulations on certification and transferability of skills?
- Are skills acquired through employment in the industry kept very specific, or are they transferable? Have companies encouraged or restrained the transferability of skills? What incentives guide the industry’s behaviour in this respect?
- Has government in any way reacted, or been able to react to social changes induced by employment in the mining industry and changes thereof (shift from labour intensive to technology intensive production, migration to mining locations by main income earner with or without dependents)?
Euromines

Euromines is the recognized representative of the European metals and minerals mining industry. The members’ main objective is to promote the industry and maintain their relations with European institutions at all levels. Euromines provides services to its members with regard to EU policy and forms a network for cooperation and the exchange of information throughout the sector within Europe. The association also supports contacts with the mining community throughout the world.

Euromines members are large and small companies who with their subsidiaries in Europe and in other parts of the world provide jobs to more than 350,000 people. Their activities and operations produce more than 42 different metals and minerals.

Published by Euromines
Av de Broqueville 12
B-1150 Brussels
Tel 32 (0)2 775 63 56
Fax 32 (0)2 770 63 03
secretariat@euromines.be

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