

ROYAL GOVERNMENT OF BHUTAN

MINERAL DEVELOPMENT POLICY 2013

(Draft)

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ACRONYMS

BIT	Business Income Tax
CIT	Corporate Income Tax
DGM	Department of Geology and Mines
DLG	Department of Local Governance
DoFPS	Department of Forest and Park Services
DoI	Department of Industry
EDP	Economic Development Policy
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
FDI	Foreign Direct Investment
FMFS	Final Mine Feasibility Study
GNH	Gross National Happiness
MDA	Mineral Development Authority
MDP	Mineral Development Policy
MMMA	Mines and Minerals Management Act, 1995
MMMR	Mines and Minerals Management Regulations, 2002
MoEA	Ministry of Economic Affairs
MP	Mine Plan
MRP	Mine Restoration Plan
NEC	National Environment Commission
NLCS	National Land Commission Secretariat
PIT	Personal Income Tax
RFB	Request for Bid
RGoB	Royal Government of Bhutan
SEA	Strategic Environmental Assessment

CHAPTER 1 INTRODUCTION

1.1 Rationale for Mineral Policy

Minerals are limited and non-renewable resource, and must be exploited prudently in the larger interest of the country. Over the years, minerals and mineral based industries have made significant contributions to our economy and the national wellbeing. The Economic Development Policy (EDP) 2010 envisages the mining sector to play an important role in supply of raw material for industries and construction materials for infrastructure and other development projects.

While mineral exploitation brings about increased economic activity and development, it can have adverse social and environmental consequences, which must be adequately addressed and managed in the interest of wellbeing of all the citizens of the country. A properly planned, efficiently regulated and professionally managed mineral industry can make a significant contribution to national development and achievement of Gross National Happiness (GNH). The Policy seeks to establish the framework for managing the country's mineral resources and developing its mineral industry.

1.2 Vision

Create a vibrant mineral sector that contributes to the achievement of GNH.

1.3 Mission

Facilitate efficient, responsible and sustainable development of the mineral resources that contributes to the socio-economic development of the nation.

1.4 Objectives

The Mineral Development Policy shall have the following objectives:

- To develop the scarce mineral resources for optimum value addition so that maximum benefit accrues to the nation;
- To allow selective and cautious development of minerals for socio-economic development while ensuring environmental sustainability and inter-generational equity in the larger interest of the country;
- To ensure the availability of construction materials at affordable prices to all the citizens;
- To increasingly contribute to the national economic development by enhancing generation of revenue and employment;
- To promote human resource development and ensure that mineral development is carried out by technically qualified professionals;
- To promote investment in the mineral sector by technically and financially competent entities;
- To develop an integrated mineral information system in the country;
- To ensure effective regulation, administration, management and monitoring of the mineral sector.

CHAPTER 2 THE MINERAL SECTOR

2.1 Overview

Out of the country's total geographical area of 38,394 square kilometres, most of the country's areas have been geologically mapped in the scale of 1:500,000. However only about 6500 square kilometres have been geologically mapped in the scale of 1:50,000 systemically. In the course of geological mapping, a host of metallic and industrial minerals have been discovered. Table 1 provides the status of mineral occurrences in the country till date.

Table 1 Status of mineral resources in the country as on

Mineral	Location	Reserve (in million tonnes) and Grade
Copper ore	Gongkhola in Black Mountain area, Zhemgang Dzongkhag	2.5 inferred, with 1.5% Cu.
Lead-Zinc ore	In Genekha area, Thimphu Dzongkhag	3.116 in Chakula – Proved 0.514 in Romegong Ri – Probable
Tungsten Ore	Dholpani and Bhurkhola , Gelephu Dungkhag	0.45 estimated down to 30 m depth in Dholpani .
Coal	Deothang and Bangtar, S/Jongkhar Dzongkhag	Reserve very tentative
Dolomite	All along the foothill of Southern Bhutan.	Very huge reserve. Proved reserve will be rendered by DGM as and when required.
Graphite	Khepchishi (above 3992 m altitude) Paro, Dzongkhag	23.53 proved by drilling.
Gypsum	Khothakpa and Uri Chu, Pemagatshel Dzongkhag	56.45 proved (in Khothakpa); 13.60 estimated (in Uri Chu and Khar). Remaining reserve much less, mining going on
Limestone	Pagli – Titi , Gholtey area, Gelephu Dungkhag Kanamakra, Gelephu Dungkhag Korungri and Kerungri, S/Jongkhar Dzongkhag	Reserve almost exhausted by PCAL Reserve being assessed Huge Reserve of high grade Limestone Huge reserve of cement grade limestone
Marble	Khanku (Paro Dzongkhag) In northern region of Bhutan such as, Haa Wangtsa, Chaylaila, Paro, Jemina Thimphu Sha Bhel Wangdiphodrang, Hasilo and Pangpeysa Paro and Bunakha, Chukha Dzongkhag	12.44 proved. 29.59 Probable. Reserve not proven
Slate	Bhel (Bonsegeoma) and Kobja areas both in Wangdiphodrang Dzongkhag	16 million cubic meters. A large portion is already extracted for roofing purposes in Bhutan.
Talc	All in foothill belts in SW Bhutan	Reserve not assessed properly, because the deposit is very erratic and patchy in nature
Ferro Silicon Grade Quartzite	Quartzite in Shumar Formation	Reserve not assessed systematically

The mining sector has long been an important catalyst to the economic growth of the country in terms of revenue and employment generation. A host of minerals have been mined in the country till date. Table 2 provides the mineral production figures from 2005 till 2011. Apart from the direct revenues, there is also the spin off effect of the mining sector in the development of the associated industries and their contribution in terms of revenue and employment generation and other social benefits.

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Table 2 Mineral Production from 2005 to

Mineral Type	2005	2006	2007	2008	2009	2010	2011
Dolomite (million MT)	0.389	0.477	0.579	1.248	1.029	1.062	0.91
Limestone (million MT)	0.536	0.581	0.544	0.584	0.650	0.68	0.75
Gypsum (million MT)	0.151	0.204	0.189	0.248	0.300	0.344	0.375
Coal (million MT)	0.085	0.098	0.105	0.124	0.049	0.064	0.103
Marble (ft ²)	4,005	3,813	12071	12301	13074	0	0
Slate (ft ²)	2,909	5,873	78107	822	18998	0	0
Quartzite (million MT)	0.053	0.040	0.064	0.095	0.083	0.119	0.09
Talc (million MT)	0.043	0.054	0.062	0.056	0.064	0.027	0.017
Iron Ore (million MT)	0.006	0	0	0	0	0	0
Shale (million MT)	0.001	0.001	0	0	0	0	0
Stones (million MT)	0.147	0.232	0.389	0.409	0.512	0.79	2.42
Granite Slabs (ft ²)	9,436	8,311	14430	8227	19905	0	0

Table 3 Total revenue* generated from the 2005 to 2011

Revenue Type	2005	2006	2007	2008	2009	2010	2011
Royalty	66.542	77.872	81.911	102.825	110.545	129.747	119.241
Mineral Rent	11.438	13.471	14.373	19.205	20.754	25.306	22.372
License Fee	64.5925	95.3468	95.3468	77.1118	77.1118	77.1118	77.1118
Surface Rent	0.415	0.453	0.503	0.547	0.807	1.488	1.311
Total	152.9875	187.1428	192.1338	199.6888	209.2178	233.6528	220.0358

* Revenue tabulated above is sum of royalty, mineral rent, license fee and surface rent and does not include BIT, CIT, PIT, etc.

Major minerals currently mined are dolomite, limestone, gypsum, marble, coal, talc, quartzite and various types of construction stones. The scale of mining operation in terms of production ranges from 5000 metric tons to over a million metric tons annually. All the mines in the country are operated using opencast mining technique and the current land coverage by mining activities is 0.033 % of the total area of the country.

2.2 Legal/Regulatory Framework

Article 1 (12) of the Constitution states that “The rights over mineral resources, rivers, lakes and forests shall vest in the State and are the properties of the State, which shall be regulated by law”. Some of the existing laws, rules and regulations governing the mining sector in the country are listed below:

- Mines and Minerals Management Act, 1995
- Mines and Minerals Management Regulations, 2002
- The National Environment Protection Act, 2007
- Environmental Assessment Act, 2000
- Regulation for the Environmental Clearance of Projects and Regulation on Strategic Environmental Assessment, 2002
- Waste Prevention and Management Act, 2009
- Application for Environmental Clearance: Guidelines for Mines
- The Water Act of Bhutan, 2011
- The Biodiversity Act of Bhutan, 2003
- Forest and Nature Conservation Act of Bhutan, 1995
- Forest and Nature Conservation Rules of Bhutan, 2006
- The Labor and Employment Act of Bhutan, 2007
- The Land Act of Bhutan, 2007
- Rules and Regulations for Lease of Government Reserved Forest Land & Government Land
- The Local Government Act of Bhutan, 2009
- Labour and Employment Act of Bhutan, 2007

The RGoB shall review and amend the Mines and Minerals Management Act (MMMA) 1995 and Mines and Minerals Management Regulations (MMMR) 2002 to streamline issues in relation to management of mineral resources in line with this Policy.

CHAPTER 3 INSTITUTIONAL ARRANGEMENT

For a mountainous country, the conservation of the environment has not only been recognized as being vital in the guiding principles of the country's development philosophy, GNH, but has always been nurtured by the RGoB in its advancement towards progress over the years. On the other hand, mining activities which are also vital for economic and social development can cause environmental degradation and ecological imbalance if not monitored and controlled judiciously. The adverse social and environmental impacts of mineral extraction can be prevented or mitigated only with effective administration and monitoring of the mining sector, for which creation of an autonomous body with a specific mandate is found very essential at this juncture.

Therefore, in order to manage the mineral resources of the country in an effective manner, a Mineral Development Authority shall be established as an autonomous body, while the Department of Geology & Mines under the Ministry of Economic Affairs shall remain as an apex body for the geo-science and mining sectors.

3.1 Department of Geology & Mines

The Department of Geology & Mines shall be responsible for:

- i. Formulation of mineral policies, legal framework, plans, programs, guidelines and standards.
- ii. Preparation of a long term master plan for mineral development [in consultation with MDA](#).
- iii. Carrying out its mandated geo-scientific activities like geological mapping, mineral exploration and prospecting, engineering geology, glaciology, seismology etc.
- iv. Outsourcing of the geo-scientific activities to competent and technically qualified domestic or international agencies, if required.
- v. Issuance of prospecting licenses (PL) where deposits have not been assessed or proven earlier. The geological mapping and mineral prospecting studies shall extend to any area within the country irrespective of current land use or ownership unless restricted by the Royal Government in the national interest.
- vi. Maintenance of a national inventory of mineral resources and geo-scientific information including an inventory of abandoned mine and quarry sites.
- vii. Providing technical advice to the Royal Government on various issues, options, strategies and prospects related to geosciences.

3.2 Mineral Development Authority

The Mineral Development Authority (MDA):

- i. Shall be an autonomous regulatory body with perpetual succession.
- ii. Shall have an official seal and such seal may be changed, altered and made anew as the Authority deems fit.
- iii. May sue and be sued in its own name.
- iv. May acquire, hold and dispose of movable and immovable properties.

3.2.1 Structure of the Authority

- i. The Authority shall consist of a chairperson, members from relevant agencies and a secretariat headed by a Chief Executive Officer, all of whom shall be appointed by the Minister of Economic Affairs on such terms and conditions as he may determine for a period not exceeding five years.
- ii. The Chief Executive Officer shall be ~~the head of the secretariat and~~ an ex-officio secretary to the Authority.
- iii. The Authority shall have representations from the Department of Geology & Mines (DGM), Department of Industries (DoI), National Environment Commission (NEC), Department of Forest and Park Services (DoFPS), National Land Commission Secretariat (NLCS) ~~and~~ Department of Local Governance (DLG) ~~and Bhutan Chamber of Commerce and Industry (BCCI)~~.
- iv. No member of the Authority appointed by the Minister shall be eligible to serve more than two consecutive terms as chairperson or ordinary member of the Authority.
- v. The organogram of the MDA will consist of four departments, viz. 1) Mine Leasing, 2) Monitoring and Enforcement, 3) Mineral Information & Registry, and 4) Administration, Finance and Legal. The Authority may change the organogram of the MDA to suit changing times required for effective functioning.
- vi. All employees of the Authority other than the CEO shall be directly recruited based on such manpower strength as approved by the Authority.
- vii. The Authority shall function under its own service rules.

3.2.2 Functions of the Authority

The functions of the Authority shall include, amongst others:

- i. Enforcement of the provisions of the mines and minerals acts, rules and regulations.
- ii. Initiate formulation of guidelines and procedures for mining/quarrying activities in consultation with DGM.
- iii. Leasing and monitoring of mines/quarries
- iv. Review and evaluate geological report, mine plans, environment management plan and mine restoration plan, etc.
- v. Development of human resource capacity both within the Authority and the private mining sector.
- vi. Accrediting and certifying mining professionals in the country on behalf of the RGoB.
- vii. Development of various schemes for effective management of mines.
- viii. Propose revision of rates for different types of mineral levies to the MoEA.
- ix. Auctioning of the right to mine the minerals.
- x. Ensuring restoration of mine/quarry areas after expiry, surrender or termination of mining/quarrying leases.
- xi. Such other functions and duties as required by the mines and minerals acts, rules and regulations.

3.2.3 Meeting, Quorum and Decisions of the Authority

- i. The Authority shall meet for the discharge of business at least four times in a year or upon a request in writing to the members by the Chairperson or the Chief Executive Officer.
- ii. The quorum for the meeting of the Authority shall be a simple majority.

- iii. The decisions of the meetings shall generally be based on consensus but where there are divided views; decisions shall be made by a majority vote by the members present. In case of tie, the Chairperson shall have a casting vote.
- iv. All minutes of the meetings shall be confirmed by the Authority and shall be signed by the Chairperson and the Member Secretary.
- v. A member of the Authority who is in any way directly or indirectly interested in a matter being considered at a meeting of the Authority or in which his spouse or relatives are interested in private capacity, shall disclose the nature of his interest to the meeting.
- vi. A member making a disclosure under subsection (v) shall not take part in any consideration or discussion of, or vote on any question relating to the matter. Such disclosure shall be recorded in the minutes of the meeting at which it is made.

3.2.4 Financing of the Authority

To ensure the autonomous functioning of the Mineral Development Authority and the development of national capacity in the mining sector, the Authority shall be financed from the collection of:

- i. License fees
- ii. Lease processing fees
- iii. Mineral rents

Surplus collections shall be deposited in the Royal Government Revenue Account. In case of deficit in any year, the Royal Government will provide budgetary support to the Authority.

CHAPTER 4 HUMAN RESOURCE DEVELOPMENT

Professional capacity is the key condition for realizing the objectives of scientific mining and mineral conservation. To address the current shortage of professionals in mining and geology both in the regulatory side and the private sector, the RGoB shall:

- i. Provide more scholarships for these professions.
- ii. Provide partial scholarship to students pursuing these studies privately, up to a maximum amount as determined by the competent authority.
- iii. Allow employment of expatriate professionals in the mines till local capacity is developed
- iv. Assist in further training of national staff for companies that are consistently or actively training nationals to replace expatriates.

CHAPTER 5 MINERAL CONSERVATION AND VALUE ADDITION

5.1 Mineral Conservation

Conservation of minerals shall be construed not in the restrictive sense of abstinence from consumption or preservation for use in the distant future but as a positive concept leading to augmentation of reserve base through improvement in mining methods, beneficiation, blending and utilization of low grade ore and rejects, and recovery of associated minerals. The legal and institutional framework shall be strengthened so as to mandate zero-waste from mining as the ultimate goal.

5.2 Value Addition of Minerals

Minerals constitute one of the main resources for economic development of the nation. Proper management of these resources is critical. The advantages of adding value to minerals are manifold, such as increasing the national economy and revenue, reducing the need for imports, developing knowledge, improving the skill levels in the minerals industry and broadening the employment base. Therefore, export of minerals without prescribed value addition shall not be permitted. However, minerals such as low grade quartzite, rejects from the mines and minerals that do not have prospects for value addition shall be allowed to be exported in raw form. This shall however, be subject to prior verification and approval of the MDA and upon meeting the domestic demand.

Given that the level of processing and other parameters in determining the value addition differ from one mineral to another, the DGM and MDA shall assess the potential of the minerals for processing into value added products and specify the level of processing and value addition required for each mineral.

A Minimum value addition of 40% and Change in Tariff Classification at 6 digit level of the Harmonized Commodity Description and Coding System on a mineral product shall be necessary to qualify for export till detailed value addition criteria is developed. Formula for Value Addition of 40% shall be:

$$\frac{\text{FOB Product Price} - \text{Raw Material Cost}}{\text{FOB Product Price}} \times 100$$

While the RGoB shall emphasize and prioritize value addition of minerals before export, it shall allow the export of minerals in raw form for large-scale mines already auctioned within the limits of time as may have been agreed upon in the existing agreements after they fulfill domestic requirements.

CHAPTER 6 ENVIRONMENTAL & SOCIAL CONSIDERATIONS

Article 5.1 of the Constitution states that “Every Bhutanese is a trustee of the Kingdom’s natural resources and environment for the benefit of the present and future generations and it is the fundamental duty of every citizen to contribute to the protection of the natural environment, conservation of the rich biodiversity of Bhutan and prevention of all forms of ecological degradation including noise, visual and physical pollution through the adoption and support of environment friendly practices and policies”.

This Policy recognizes the importance of having a sound mineral development sector that protects the environmental integrity and socio-cultural values, while at the same time contributing significantly to the country’s economy. Mineral development shall be guided by the sustainable development and precautionary principles and consider the intergenerational equity in managing mineral resources.

The RGoB shall strengthen the enforcement of mining and environmental laws effectively so that in the long run, the mining sector shall ensure minimal adverse impact on the environment, culture and spiritual heritage of the country. Mining and quarrying in protected areas shall be in line with the Forest and Nature Conservation Act of Bhutan, ~~1995~~, [The Biodiversity Act of Bhutan](#), [The Water Act of Bhutan](#) and their [respective](#) regulations.

6.1 Environmental Protection & Scientific Mining

This shall be achieved through:

- i. Requiring environmental clearances for any mineral development activities as per the environmental legislations of the country.
- ii. Requiring a comprehensive EIA for any mineral development activity whose scale of operation and nature of the minerals may have significant impact on the environment.
- iii. Ensuring that the different stages of mineral development, starting from exploration; development and production to restoration are based on sound, scientific and engineering principles so as to ensure environmental sustainability.
- iv. The need of a comprehensive and properly designed mine plans (MP), mine restoration plan (MRP) and environment management plans (EMP) as fundamental requirement for operation of mines and quarries in the country, and the strict implementation of the same by the proponent.
- v. Ensuring progressive restoration as per mine plan on a continuous basis during the entire mine/quarry lifecycle.
- vi. Collection of environmental restoration bond as a guarantee to ensure reclamation and restoration at the time of mine/quarry closure or in the event the mine/quarry is abandoned before completion. The fund shall be managed by the MDA
- vii. Initiate in collaboration with the research institutions abroad to facilitate transfer for knowledge, skills and technology and overall capacity building in the mining sector.

- viii. Supervision and management of all mines and quarries by qualified professionals [in line with National Environment Protection Act, Environment Assessment Act, Waste Prevention & Management Act, and the respective regulations](#). The MDA shall prescribe the minimum requirements in relation to technical professionals and equipment. The occupational health & safety standards for different types of mines and quarries shall be as per Labour and Employment Acts of Bhutan, ~~2007~~ [and regulations](#).

6.2 Social and Community Considerations

Mineral development if not managed scientifically can cause irreparable adverse impact on the surrounding communities. At the same time it can also make significant contribution for the welfare of the local communities if managed properly. Therefore, the RGoB shall ensure community wellbeing through the following arrangements:

- i. Affected communities shall be identified during the process of public consultation as laid down in the Local Government Rules and Regulations.
- ii. EIA shall specify a clear guideline on the community issues such as impacts on community health and livelihood, culture and aesthetics etc.
- iii. Before leasing of any mines/quarries the MP, EMP and MRP shall be presented by the proponent to the representatives of the affected communities and relevant agencies.
- iv. Listed mining companies while floating their shares shall ensure that at least 10% of the shares are allocated to the affected community where the mines/quarries are located. In the event the local community do not have funds to pay for these shares, the mining company shall facilitate the affected community to avail loan from the financial institutions and repayment through subsequent dividends. If the shares allocated for the affected community is partially or not fully subscribed, the company shall be allowed to sell them as per rules of the Royal Security Exchange of Bhutan. However the company shall explore other alternative schemes wherever this share scheme is not feasible.
- v. All mining companies will be required to contribute to a community development fund to be used specifically for drinking water schemes, water source protection, social forestry schemes and renovation of religious sites belonging to the community and other schemes as may be prioritized by the community. The fund shall be managed by a Tshogpa, appointed by the affected communities, including a member from the mining company, under the supervision of the local government.
- vi. The listed companies shall pay a sum of Nu. 3.00 per ton of materials dispatched to the community development fund. All other mines and quarries shall pay a sum of Nu. 5.00 per ton to the community development fund. Such payments shall be made during the payment of royalty and mineral rent of minerals despatched. The community development fund and its operations shall be reviewed from time to time by the MDA.

- vii. The local communities shall have access to road, health and educational facilities created by the mining projects for its own use.
- viii. Priority for employment shall be accorded to the affected local community.

6.3 Maintenance of public infrastructure

Mining firms shall be responsible for the maintenance of the public infrastructure like roads other than National Highways, which they use, on a cost sharing basis. The cost shall be determined by the mining firms in consultation with the concerned government agency and it shall form a part of the Environment Management Plan of the mine/quarry.

~~6.3 Strategic Environment Assessment (SEA)~~

~~The Royal Government may encourage the use of SEA as a tool for planning purposes. Such studies will enable the Government to broadly understand the cumulative impact (negative and positive) of major developmental activities with various options. This will assist the decision makers to choose the best option or to take an informed decision.~~

CHAPTER 7 CATEGORIZATION OF MINERALS

For purposes of mine allocation, minerals shall be classified as follows:

7.1 Strategic Minerals

Strategic minerals shall be those minerals that have very high value, minerals that could have security implications, minerals that have wider implications on the economy of the country and minerals which are rare in the country. The DGM shall notify the list of strategic minerals. Development of strategic minerals shall remain the exclusive right of the RGoB.

7.2 Industrial Minerals

Industrial minerals shall be those minerals used as raw materials in industries. These include but not limited to minerals like limestone, dolomite, gypsum, quartzite, graphite, talc, marble, granite, coal and metallic minerals which are not classified within strategic minerals.

7.3 Construction Materials

Construction materials shall be sand, stones, rocks and other low grade minerals which are not suitable for further processing.

7.4 Review of Mineral Categories

The MoEA shall review the categorization of minerals from time to time and make changes as may be required.

CHAPTER 8 ALLOCATION OF MINES AND QUARRIES

The right over mineral resources shall rest with the RGoB. Allocation of mines shall only be made for the deposits proven by the DGM or by other agencies through the grant of prospecting license (PL). “Mines” shall refer to extraction of minerals whereas extraction of rocks for construction purposes shall be termed as “quarries”. The procedure for allocation of mines and quarries shall be in accordance with the established regulatory frameworks and thus shall be subjected to the clearances from various relevant agencies.

8.1 Mining & Quarrying Lease Tenure

To stimulate investments and to ensure better planning, operation and rehabilitation of the mineral development activities, it is essential to ensure reasonable lease periods. Therefore, lease tenure shall be up to 30 years subject to renewal conditions at the time of bidding.

For all existing mines which have been leased based on direct allocation, renewal may only be considered in the event they have become captive mines and on such terms and conditions as decided by the DGM/MDA. For existing auctioned mines, the auction terms shall apply.

8.2 Allocation of Mines

Allocation of mines shall be undertaken considering sustainability, competency, revenue generation, environmental conservation, and other long term objectives of the RGoB. Allocation of mines shall be as follows:

- i. The RGoB shall have the discretion to develop strategic minerals either by itself or through its agencies or through the private sector on its behalf.
- ii. Any mineral deposit proven by the RGoB/DGM shall be allocated through a bidding process. Standard guidelines for evaluating the bids shall be developed and disseminated by MDA in consultation with DGM.
- iii. Selection of the best proposal shall be carried out by a team of experts using a comprehensive set of criteria which shall be announced while inviting the bids, such as technical competence, professionalism, financial capacity, value addition, employment and revenue generation, environmental conservation, community benefits and others in line with the principles of GNH.
- iv. The MDA shall determine the minimum requirements of professionals and equipments depending on the type, location of minerals and scale of operation during evaluation of the proposals.
- v. Where mineral deposits have not been proven by the RGoB, PL shall be issued based on a bidding process by the DGM. The eligibility criteria for bidding shall be specified in the Request for Bid (RFB). The PL holder shall be given the right to operate the mineral deposit as per the bid condition, if found feasible. If not found feasible, the PL holder shall not be refunded any expense incurred for undertaking the prospecting.
- vi. The prefeasibility studies of the prospected mineral deposits shall be carried out by a multi-sectoral team comprising of officials from the relevant agencies.

- vii. For minerals (such as talc and coal) which occur in the form of erratic deposits (i.e. stringers, pockets, thin lenses and bands) and which are geologically difficult to be proven, the DGM shall identify localised areas and study the feasibility of operating such deposits in a environmentally sound, economically feasible and socially acceptable manner. The allocation of mining rights for such deposits shall also follow the bidding process as in 8.2 (ii) and (iii). Such mineral deposits shall not be allocated on PL basis.
- viii. The successful bidder shall prepare the necessary documents like FMFS report, EMP etc. prior to the signing of the mining lease agreement.
- ix. All mandatory clearances shall be processed by the MDA before the bidding process [as per Land Act, The Local Government Act of Bhutan and Rules and Regulations for lease of Government Reserved Forest Land and Government Land, and other regulations](#).
- x. For the mineral deposits prospected by RGOB/DGM the selected applicant shall refund the cost of exploration to the RGOB upon approval of the mining lease.

8.3 Allocation of Stone Quarries

Given the importance of construction stones in the development of the country, it is vital to ensure an uninterrupted supply of such materials to the construction industry at reasonable price. This policy shall ascertain proper allocation of quarries throughout the regions and the DGM shall develop and maintain a stone quarry master plan for the whole country.

8.3.1 Categories of Quarries

Stone quarries shall be categorized as follows:

- i. Large quarries shall be those having an annual production capacity of 100,000 metric tonnes and above.
- ii. Medium quarries shall be those having an annual production capacity of 20,000 to 99,999 metric tonnes
- iii. Small quarries shall be those with annual production capacity below 20,000 metric tonnes.

8.3.2 General Requirements

The minimum requirements and the maximum lease tenures for the three categories of the quarries are illustrated in Table 4.

Table 4 Requirements and the lease tenure for the three categories of quarries

Criteria	Large Quarries	Medium Quarries	Small Quarries
1. <u>Financial Capacity</u>			
a. Net worth (Nu.):	4,000,000	1,000,000	500,000
b. Credit rating (Nu.):	10,000,000	5,000,000	1,000,000
2. <u>Human Resource</u>			
a. Graduate Mining Engineer	1	1	1 (part time)
b. Diploma mechanical Engineer	1	0	0
c. Certified foreman	1	1	0
d. Certified supervisor	2	1	1
e. Certified blaster *	2	1	1
f. Certified surveyor	1	1 (part time)	1 (part time)
3. <u>Equipment & Facilities</u>			
a. Excavators	3	1	1
b. Dumper	5	2	1
c. Survey equipment (as required)	1	1 (hired)	1 (hired)
4. <u>Lease Tenure (Years)</u>	30	10	5

* Requirement of blasters shall only be applicable if the quarrying operation involves blasting.

8.3.3 Quarry allocation Procedure

The allocation procedures for the stone quarries shall be as follows:

- i. DGM shall identify core areas and carry out detailed exploration to assess the feasibility for quarries in terms of quality and quantity.
- ii. The prefeasibility studies of the prospected stone deposits shall be carried out by the multi-sectoral team.
- iii. Quarries identified for domestic supply shall be allocated through reverse auction, i.e. the winner shall be the bidder offering the lowest selling price.
- iv. Quarries shall also be auctioned for export market for which the bid conditions shall be specified by DGM at the time of auction.
- v. The successful bidder shall prepare the necessary documents like FMFS report, EMP etc. prior to the signing of the quarrying lease agreement.
- vi. All mandatory clearances shall be processed by the MDA before the bidding process.
- vii. Terms and conditions for such leases shall be developed by the MDA and shall be based on the categories of the quarries.

8.3.4 Government and Community Project Quarries

- i. The MDA shall in the national interest, allocate quarries directly to government agencies, government projects and communities.
- ii. Allocation of quarries to government projects and communities shall be as captive mine for its time bound projects such as hydropower, road, and community activities such as schools, lhakhangs and other infrastructure projects. They shall not be allowed to supply the stones/aggregates to other consumers other than to the project for which they have been established.

- iii. Such quarries may also be allocated directly to the licensed project contractors as captive quarry on behalf of the project.
- iv. Where the exploration has been done by the DGM, the project applicant shall refund the cost of the exploration to the RGOB.

8.3.5 Surface collection and Rural Stone Requirements

- i. Surface collection of sand and boulders, and riverbed collection of all type of stones shall be issued under permit system of the Department of Forest and Park Services (DoFPS).
- ii. The material lifted under any form of surface collection permits shall not be allowed for export.
- iii. Minor extraction of stones for non-commercial and one time requirement in rural constructions shall be issued under permit system of the DoFPS, and such operations shall be closely supervised by Dzongkhag Forestry and Environment Officers.

8.3.6 National Resource Development Corporation Ltd

In view of the strategic importance of construction materials (sand and stone) and these natural resources are common heritage of people of Bhutan, the Royal Government established the Natural Resources Development Corporation vide executive order PM/01/07/571 dated 7 November 2007. This was based on the Royal Command conveyed to the 87 session of the National Assembly. This Order was further reinforced vide Executive Order C-2/2043 dated 10 May 2010 issued by the Royal Government. As such the NRDCL has been mandated with the social responsibility of making these materials available and at affordable price.

The allocation procedures of quarries for NRDCL shall be as follows:

- i. NRDCL shall identify areas and carry out detailed exploration to assess feasibility studies
- ii. The pre-feasibility studies of the proposed stone deposits shall be carried out by the multi-sectoral team
- iii. All mandatory clearances shall be processed by the MDA
- iv. NRDCL shall prepare the necessary documents like FMFS reports, EMP, etc. prior to the signing of the quarrying lease agreement

8.4 Foreign Direct Investment

Foreign direct investment (FDI) in the mineral development sector shall be as per the Foreign Direct Investment (FDI) Policy, 2010 and the rules and regulations thereunder. In the interest of promoting cleaner and greener industries, foreign investor/companies that possess international environmental certification standards such as ISO 14000 series or equivalent shall be encouraged through provision of incentives such as preference during the allocation process.

CHAPTER 9 ROYALTY AND OTHER LEVIES ON MINERALS

Royalties, mineral rents, auction license fees and other applicable mineral levies shall be determined by the Ministry of Economic Affairs in consultation with other government agencies, the mining industry and the regional averages for such charges. The Policy empowers the Ministry of Economic Affairs to review and revise periodically the royalties, mineral rents, auction license fees and other mineral levies. Land lease rents, taxes and penalties shall be in accordance with applicable national laws.

CHAPTER 10 INCENTIVE

To promote investments in the mineral industry, the RGoB shall provide fiscal incentives wherever necessary.

10.1 Incentives as per EDP 2010

All mining companies and firms shall be eligible for the general, employment and foreign exchange incentives as detailed in the EDP 2010.

10.2 Sector specific incentives

The EDP states that the Mineral Development Policy shall provide sector specific incentives for the mining sector.

- i. On certification by DGM, MoEA and NEC, companies that have invested in equipments and machinery and/or capacity building programmes that comply beyond prevailing environmental standards shall be allowed full tax credits. The credit is deductible to a maximum of 30% of companies' tax payable in a given year and balance can be carried forward for use in future years.
- ii. All capital goods and spares that reduce the need for expatriate labour and other mining equipments that improves efficiency shall be exempt from customs duty and sales tax.
- iii. All mining machineries and equipments shall be allowed accelerated depreciation at double the prevailing rates.

10.3 Other incentives

DGM and MDA shall institute an annual best mining practice award for the mining sector and an annual Best Mines Manager award system selected based on stipulated guidelines.