

The Goa Foundation

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8th July, 2014

Shri Narendra Modi
Hon'ble Prime Minister
7, Race Course Road
New Delhi 110011

Re: Mining scenario in Goa – A public interest point of view

Dear Sir,

We are attempting through this communication to present to you a public point of view relating to the mining scenario in Goa. We are doing this because the local administration appears set on promoting the cause of a few select mining companies despite the fact that they have been indicted by several commissions, reports and court judgements for illegal mining.

Firstly, due to the Supreme Court's declaration on illegal mining in Goa, large amounts are recoverable from miners. We estimate this, conservatively, as being in excess of Rs. 35,780 crores. This works out to an astonishing Rs. 10 lakhs per family of four. We have written to the Goa Government in this regard (copy enclosed), but action on recoveries is exceedingly slow as the Government appears uncommitted.

Second, our calculations from publicly available data show that for the eight year period 2004-05 till 2011-12, the State of Goa has received less than 5% of the value of its ore (after considering all associated expenses). This works out to a meagre Rs.2387 crores when it ought to have earned Rs.53,833 crores. Quick

calculations show that the State of Goa has declining wealth on account of the sale of its natural resources for a pittance.

International experience is that entire countries capture 90+% of the value of their minerals. International experience also shows that such high rates can be achieved only by state-owned mining corporations – auctions of leases will not achieve such high capture rates when mineral prices increase due to international factors.

Third, iron ore is a finite natural resource. It is part of the *uttaradhikari* of the people of Goa, akin to the family gold. If it is to be sold, then the money earned should be treated as arising from the permanent sale of assets. It would be customary for ALL the money to be invested into a fresh set of productive assets. Again, many countries around the world (as well as a few sub-sovereigns) have created pension or endowment funds from money received from minerals. The Supreme Court has now directed that such a Fund be set up for the State of Goa. However, we need to implement a budget rule that all money received from mining shall be put into such a Fund.

If the State of Goa were able to achieve capture of 90% of the value of the ore and save all of it through the Permanent Fund, the corpus will eventually exceed Rs. 2 Lakh Crores. This works out to over Rs. 60 Lakhs per family of four. The enormity of this amount becomes apparent when we consider that the per capita income in Goa is only around Rs. 2 lakh. Also, recent international research shows that over 50% of the population in all countries have zero or negative net savings. The Permanent Fund, acting as a safety net, can completely change the fortunes of huge swathes of the population.

We have submitted herewith copy of a very detailed proposal to the Goa Government in connection with mining going forward (enclosed). This has been done keeping in mind international best practices. **While designing our proposal, we have also kept the BJP 2014 election manifesto on natural resources in mind** (see extract enclosed).

Many of the elements of our proposal would also impact other mineral-rich states as well as the Center.

The Permanent Fund is essentially an endowment of a pension fund for the state of Goa. We believe that the Fund should also be afforded income and other tax exemptions on the lines already afforded to the National Pension Scheme. You would also appreciate that investment of these funds into a Permanent Fund would greatly boost the savings rate in the country, and make available vast funds for the large investments in infrastructure that our nation sorely needs.

In order to prevent the diversion of funds from the Permanent Fund, it requires protection through the Constitution. The investment policy and management of the Fund would need assistance from bodies such as the RBI and the NPS. From a public accounts standpoint, the State of Goa would need to treat money received from the sale of an asset (royalties from mineral resources) as capital receipts instead of revenue receipts as is the present practice.

Please give this matter serious consideration as it involves nothing less than the safe conservation for future generations of the enormous wealth that can accrue from the sale of natural resources which, as per our Constitution, belong to all. We are willing to make further depositions in this connection, if called upon to do so.

With warm wishes,



Dr Claude Alvares

Director

Encl :

1. Letter to Chief Secretary, Govt. of Goa on value of ore illegally mined after 22-Nov-2007
2. Proposal to Chief Minister, Govt. of Goa on mining in Goa
3. Extracts from BJP 2014 Election Manifesto on Mining