



USAID FIRMS PROJECT

# Assessing the Mineral Policy Frameworks - Balochistan and Khyber Pakhtunkhwa

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# Assessing the Balochistan and Khyber Pakhtunkhwa (KP)

Mineral Policy Frameworks

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# Data Page

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# Abstract:

The provinces of Balochistan and Khyber Pakhtunkhwa (KP) in Pakistan are host to vast mineral resources that hold considerable potential to generate revenue. Development of these minerals can ensure not only that revenue is generated but that economic growth and social improvements directly result from this development. Mining operations are generally privately operated although the State does hold shares and participate in some mining activities. Both provinces but have yet to generate the truly beneficial employment, economic or social gains for which they hold potential.

As a matter of constitutional authority, mining in Pakistan is a provincial topic. It is in the interests of each province to develop a Minerals Policy and supporting frameworks to facilitate the sound development of its mineral resources. Although a National Minerals Policy was published in 2013, to date, neither Balochistan nor Khyber Pakhtunkhwa (KP) has published a Minerals Policy. The legal and regulatory framework guiding mineral development in Pakistan generally relies on antiquated legislative guidance that does not incorporate modern market-based mining approaches. More modern provincial concession rules have been significant in shaping how the provincial mineral markets are being developed. As Balochistan and KP seek to expand the sector, either comprehensive legislative reform or well-drafted, clear mineral contracting is needed to bring sector operations in line with modern practices. An essential first step in creating this framework is the consultation, agreement and publication of a provincial Minerals Policy.

Commencing May 13, 2013 consultant was contracted to review the existing policy frameworks in place to support mineral sector development in the Pakistan provinces of Balochistan and KP. This included a review of the Mining Concession Rules for each province, the National Minerals Policy, the Mines Act (1948), and other materials provided by the FIRMS Project. Stakeholder consultations were conducted in-country in June and September 2013<sup>1</sup> resulting in the final drafting of a Minerals Policy and Minerals Policy Action Matrix for each province as well as a summary power point for each province. During the course of this assessment, the staffing of provincial Governments of Balochistan and KP changed; consultations were conducted before and after the changes; all contributions and insights have been considered herein.

Consultant worked under the supervision of Mr. Suleman Ghani, Business Enabling Environment (BEE) and in close collaboration with Mr. Farhan Shah (BEE Specialist) and Mr. Azeem Nizai (BEE Specialist). Great thanks to the Mines and Minerals Development Departments of Balochistan and Khyber Pakhtunkhwa, private sector operators, non-government and civil society organizations for meeting with the FIRMS Team and for their sharing significant thoughts and insights on mineral sector operations.

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<sup>1</sup> June 9-20, 2013; September 11-19, 2013.

# Acronyms

BEE	Business Enabling Environment
BMDD	Balochistan Mines Development Department
BOI	Board of Investment
DG	Director General
EITI	Extractive Industries Transparency Initiative
GIS	Geographic Information System
GSP	Geological Survey of Pakistan
KP	Khyber Pakhtunkhwa
MCC	China Metallurgical Construction Corporation
MDD	Minerals Development Department
MWG	Minerals Working Group
NGO	Non-Governmental Organization
NMP	National Minerals Policy
PSDC	Pakistan Stone Development Corporation
SOW	Scope of Work
US	United States
USAID	United States Agency for International Development



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# Executive Summary

The primary focus of the Balochistan and Khyber Pakhtunkhwa (KP) Minerals Policy is to provide a clear description of the priorities and practices supported by the provincial Government to develop the mineral resources of each province. Through the Minerals Policy, the provincial Government may implement actions and mechanisms that will facilitate investment, build institutional capacity, safeguard its non-renewable mineral resources and evolve to improve the quality of life of residents, the environment and economy.

Mining has historically provided important financial, economic and social benefits within Balochistan and KP. Both provincial governments must be commended for maintaining investments in the sector and monitoring as is possible. Yet, the mineral sectors of Balochistan and KP are not generating the revenues or potential equitable benefits that they could for district, provincial or national benefit in the near- or long-term. While sector leaders are committed to reforming how minerals are developed, political will and citizen participation must also be secured if to implement sustainable change. In this regard, a more holistic review of mining as an integral part of the provincial and national economy is required as part of a near-term **and** long-term development strategy. This includes a more holistic approach in assessing the legal basis for sector operations as part of the provincial strategy for growth. This approach would not only consider mining but downstream and entire value chain opportunities.

In addition, deeper consideration of existing mineral investments in the province and assessing what type of private investments and corporate cultures are sought to enter into the local mining economy. Significantly more attention to the treatment of mine workers and safeguarding the environment is needed. Keeping in mind that minerals are non-renewable, Balochistan and KP have only one opportunity to truly benefit from these developments.

...a more holistic review of mining as an integral part of the provincial and national economy is required as part of a near-term **and** long-term development strategy.

## Provincial Differences

As mining destinations, Balochistan and Khyber Pakhtunkhwa (KP) share commonalities in how minerals are being developed, revenues generated, and investments made. Still, they are distinctly different in their approaches, capacity and relationships. These nuances must be recognized and a “one size fits all” approach to policy and sector improvement will not achieve expected results. Both provinces are host to dimension stone quarrying but the majority of mining in KP is artisanal while Balochistan further hosts two large-scale mining projects involving foreign investment and a large coal mining scheme that encompasses an array of small mines under the lease of one or two primary holders. Another difference is in the award of mineral licenses where KP strictly follows an “auction” process under the Mining Concession Rules, Balochistan additionally permits the award of rights by application under leases by local tribes/families who then oversee contractor works. Royalty schemes also vary.

### *Objective*

The objective of this Assessment is to assist the provincial governments of Balochistan and Khyber Pakhtunkhwa (KP) to identify key policy issues that may improve mining investment and introduce international best practices to govern the minerals sector. In pursuing this objective, a Minerals Policy and supporting Minerals Policy Action Matrix has been prepared and consulted on for each province (See Section IV).

## International Mineral Markets: Best Practices

Each mineral market possesses its own nuances, political economy and history. Still, because of the provincial delegation of authority over mining per the Constitution, it is useful to compare the country policies, notably those having federal-provincial mining policies such as Australia and Argentina. Because of the status of mining in Pakistan, closer review of policies in transition mining markets such as India, Mozambique, South Sudan should also be useful. Sophisticated mining markets have recognized certain some core principles attached to mining phases, i.e., (i) award of mineral rights; (ii) pre-production; (iii) production; (iv) post-production (i.e., mine closing) and best practices in mining policy that include:

- i. *Security of tenure* – certainty of mineral rights is essential to attracting and maintaining legitimate investment.
- ii. *Predictability and quality of investment* – investors need predictable frameworks to make multi-million dollar investments; in addition, a combination of factors must be in place to ensure that investors do not “mine and run” and are invested for the long-term.
- iii. *Regulation of all aspects* – in addition to mining, regulation and close oversight of how workers citizens, communities and environment are treated and protected is essential.
- iv. *Revenue management* – Government must take a lead role in defining revenues (See Appendix 2) and ensuring that mineral revenues are not only captured in the near time but that they have long-term positive impact on economy and society.
- v. *Information and transparency* – mining is a local activity; absent stakeholder consultation and participation in sector developments, projects tend to fail.

## Summary Key Findings and Recommendations

- *Comprehensive approach.* More attention may be paid to the mineral sector as a comprehensive whole, linking “upstream” and “downstream” aspects. Each aspect carries with it a set of legal, regulatory and policy issues that require specialized capacity and clear institutional guidance. Strategically Balochistan could leverage not only solid mining investments but oil and natural gas as well as possible processing and transport investments (i.e., TAPI) and a more clearly developed long-term strategy would be a useful first step to capitalize on these potential developments.
- *Geo-science data may be enhanced.* Information about actual minerals in Balochistan and KP is limited and may be expanded through enhanced survey and exploration work. This work may be conducted by the Geological Survey but also, through licensing of exploration work to private operators.
- *Sector Frameworks may be strengthened and clarified.* A consistent finding is that the general framework in which the Balochistan and KP mineral sectors are operating is incomplete if to support modern and market-based mining; current mineral investments are taking place in the context of a highly unregulated market. Review and updating of the legal and regulatory framework in which sector investments are being made at the provincial level with consideration of federal relations.
- *Mining Concession Rules – and more.* The Balochistan and KP Mining Concession Rules include clear provision on the award of licenses and leases. The Rules should either be updated to include a wider scope of mine monitoring and mining-related issues or additional rules should be prepared with particular emphasis fiscal, environmental and social requirements of licenses and leases.

- *Modernization of mining practices.* Technically, both provinces will benefit from the introduction of a modern cadastre system (i.e., using cadastral blocks) and requirement of geology-based mine design ('control mapping'). More clear requirements for technology notably with respect to quarrying will help to safeguard mineral resources and optimize their exploitation. Some immediate measures that may be pursued are in Section 3.
- *Greater distinction amongst mining types and mining phases.* Consideration of expanding the use of exploration licenses and introducing other license types (i.e., reconnaissance, retention, dealers) should be given. As Balochistan and KP seek to facilitate investments in medium and large-scale mining, it will be increasingly important to set forth the differences between quarrying and mining notably with respect to the use of technologies (i.e., explosives), health and safety, and processing in order to capture full benefits and to protect workers and citizens. Defining mine sizes, i.e., the definition of "large scale" mining<sup>2</sup>, may be revised to meet international norms.
- *Revenue Management Program needed.* A formalized program for the management of revenues generated from mining is not in place in Balochistan or KP. Development of a program that tracks revenues received but also how those revenues are allocated will improve transparency and help to optimize how mining revenues are used. Government capacity to "cost out" mining investments through financial modeling and closer review of "fiscal incentives" and "benefits" of mining investments can help to ensure that mining companies responsibly invest for the long-term benefit of the provinces.
- *Improved public information and transparency.* Whether geo-science, investment-related or policy development, timely and accurate information exchange is not presently an inherent part of Balochistan or KP mineral sector operations. A lack of public awareness on mining and general lack of understanding of the risks and benefits of mining may be addressed through a series of measures described in Section 3. Reduced conflict of interest and discretion of local power dynamics may be considered as part of more comprehensive stakeholder consultation and awareness building. More regularized mine inspections and a legally defined royalty system will improve sector transparency.
- *Integration of mining into provincial development.* Linkages in Balochistan and KP mining to how the provincial economy, schools, environment, infrastructure and social welfare are developed may be improved. Especially with medium and larger scale mining, Government has an opportunity to require mine operators to more actively build linkages between their mine projects for community benefit including more downstream businesses. Formalization of these commitments may be included in a "Community Development Agreement" entered into by the mine operator and local mine community(ies) with Government oversight.
- *Sector capacity building.* Capacity building throughout the provincial mineral sectors is required. Beyond directly engaged mining actors, overall business processes must be addressed to include the banking sector, environmental authorities, land and social protection agencies that are not yet equipped to address the range of issues that stem from mining activities. More attention on worker safety, social and environmental protection may further be achieved with enhanced inter-provincial mining information-exchange. Curriculum development for the education and vocational sector with emphasis on mine engineering, geology and commercial mining aspects should be developed. Significant international can provide "lessons learned".

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<sup>2</sup> Presently defined by size of investment of \$US 3 million or more which is not typical in the international market and in some mining destinations would be categorized as small-scale.

- *Financing Mineral Policy activities.* The Governments of Balochistan and KP as well as the federal Government are well-positioned to request sector-related technical assistance from the international donor community and should pursue same. The donor community has demonstrated an interest in minerals development in Pakistan with particular emphasis on licensing and commercial aspects, legal and regulatory frameworks, mining methodologies, community development, and social and environmental protection.

*This Final Report* includes a summary of “Key Findings<sup>3</sup>” taken from Consultant review of the minerals sectors of Balochistan and KP provinces based on existing investments and actual operations, known mineral potential, Government and private sector capacity, and overall business context in which the industry will develop. The terms “mining” and “minerals” are used somewhat interchangeably. Compilation of information for review has been via literature and document review (Appendix 1) as well as in-country stakeholder consultations (Appendix 5) with relevant Balochistan and KP Government officials, mine operators, and civil society.

- Section I** Overview of the provincial context in which minerals are being developed;
- Section II** Regulatory and institutional frameworks presently supporting sector operations;
- Section III** Institutional, legal and regulatory gaps, international experience and recommendations for improved business processes; and
- Section IV** For Balochistan and KP separately, (i) Minerals Policy Statement; (ii) actual Minerals Policy; (iii) Minerals Policy Action Matrix; and (iv) Minerals Policy Power Point presentations that may be modified and used as part of stakeholder consultation on policy development.

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<sup>3</sup> The template for this report including topic headings follows the FIRMS Terms of Reference prepared for this work



# 1. Overview

## 1.1 Balochistan

Balochistan is the largest province in Pakistan covering nearly 44% of the country's territory. 2012 reports on Balochistan indicate a population of slightly more than 13 million people<sup>4</sup>, representing approximately 5% of Pakistan's total population. It is estimated that 150,000 to 200,000 families depend on the mining sector in Balochistan<sup>5</sup>, emphasizing the importance of the sector to provincial development.

Mining has been underway in the province since the early 1950s. Historically the province is guided by deep family and tribal relations that directly impact the overall economic and social development of the region. The barrier for outside market entrants into the Balochistan mining market is very high and shows no immediate signs of reduction. Unlike KP, foreign investment in mining in Balochistan is underway and more is sought. The Balochistan Mines and Minerals Department (BMDD) seeks to develop a modern mineral agreement that specifically targets large-scale copper, gold and associated minerals. In addition, BMDD seeks to develop international tender processes and bidding documents<sup>6</sup>.

### 1.1.1 Commodities & Resources

The majority of licenses/leases in Balochistan are for coal, marble and other quarry materials but the province is host to significant metallic and non-metallic mineral resource potential; more than 50 such minerals have been discovered of which 29 are currently produced<sup>7</sup>. Balochistan is part of the enviable Tethyan copper/gold belt that traverses Turkey, Iran, Afghanistan and into Pakistan. Despite the great wealth of Balochistan's natural resources, the province's contribution to the national economy remains comparatively low. Balochistan is an example of a region where upstream (mining) and downstream (processing) opportunities may be expanded and provide significant economic opportunity. Eleven mine companies are licensed in Balochistan and the province is hosting two of the country's largest mining operations that involve foreign investment; three large mine operations of note (See Appendix 3):

- (1) **Saindak Copper (and Gold (*Chagai District*))** is the first large-scale metallic mineral development in Pakistan, now operated by MCC of China. This mine is near the Iranian border. "Saindak Metals Limited" (SML) was established under the Ministry of Petroleum and Natural Resources to develop the mine. The life of the mine is estimated at 20 years; deposits include copper, gold and silver.

Original Deal Points of MCC  
Saindak Contract

Annual Rent -.5 million (\$)  
50% cash surplus (through sale of products)  
Loan from Mineral Resources Development Company\*  
2% royalty-Balochistan Gov't  
1.25% tax to Pakistan Gov't  
.5% export processing zone on sale proceeds  
\*subsidiary of MCC

<sup>4</sup> Note: population statistics for 2005 indicated 7.8 million.

<sup>5</sup> Information provided by BMDD, September 2013

<sup>6</sup> This Consultant has provided some background information to the BMDD

<sup>7</sup> Information provided by BMDD, September 2013; these include: chromite, copper, gold, iron ore, manganese, lead and zinc, antimony and non-metallic minerals of marble, barite, fluorite, magnesite, gypsum, pumice, limestone, coal, dolomite, quartzite, silica sand, building stones, etc.

The history of start-up of Saindak was troubled. Mine development commenced in 1990 and following a series of difficulties, led to its shut down in 1996. For the next seven years Government invested approximately Rs.1.3 billion in an attempt to revive the mine. In 2001 a 10-year contract valued at \$350 million was signed between the Government of Pakistan and the China Metallurgical Construction Corporation (MCC) of China. The contract awarded lease rights to MCC to operate and maintain mine production with the following control for MCC<sup>8</sup>:

- a. The mine (12,500 tons/day)
- b. The concentrate (12,000 tons/day)
- c. The electricity station (50MW/5MW backup power)
- d. The bulk water plant (32,000 tons/day)
- e. Ancillary warehouses, buildings, workshops
- f. Housing on site
- g. Construction of an airstrip and additional 35km road from Taftan to the Mine

As the contract term has been extended and the Government of Balochistan reports that it is pleased with the operation, highlighting that of the 385 workers at the mine, only 50 are Chinese and Pakistan citizens hold management and other senior positions at the mine.

(2) **Reko Diq Copper and Gold** is located in the Chagai District in the Reko Diq area. The main license is jointly held by the Government of Balochistan (25%) and the rest by foreign interests Antofagasta Minerals (37.5%) and Barrick Gold (37.5%). The multinational mining companies BHP Billiton and Tethyan entered into a joint venture with the Balochistan government to extract these deposits called "TCC". The Government of Balochistan reports that it is similarly pleased with these operations and the following actions, in addition to mine production are underway:

- i. Establishment of an English/computer center
- ii. Installation of 350km water lines
- iii. 51 local graduates from local schools (*formerly only graduated 20 students*)
- iv. TCC with Government to establish a Mine Institute for technical training.

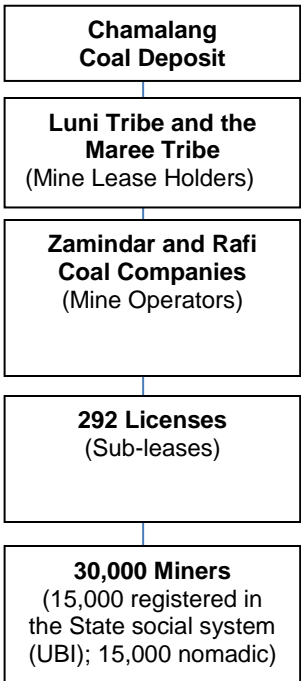
<p>Chamalang Coal            Discovered in 1960            Estimated 6 million tons            Superior heating value coal (12,500-14,400 Btu/lb)            bituminous with low ash and low sulfur or very unique quality            Underground mining between 100-150 feet, good horizontal seams are in place</p>
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(3) **Chamalang – Bahlol**. A third large investment of note in Balochistan is "Chamalang – Bahlol". Despite earlier reports of security issues related to tribal disturbances Chamalang is today cited as one of the best mining operations in Balochistan where the Balochistan Mines Development Department (BMDD), the mine operator and the community work together to ensure good production and community benefits.

<sup>8</sup> An initial RS.14 billion investment included these items

The mine is operated by two local tribes – the Luni Tribe and the Maree Tribe and the mining lease is from the BMDD to the families. The mine operators are the Zamindar and Rafi Coal Companies. Importantly, the project structure that has emerged to support coal mining at Chamalang reflects the local environment in which operations are conducted. Specifically:

- a. *Role for the Army.* The Pakistan/Baloch Army work in tandem with the coal companies to ensure secure operations. The Army collects the royalty; a joint account is established with the Army and BMDD signatories. In addition, the Pakistan/Baloch Army receives 25,000rs/month to run its office.
- b. *Sub-leasing.* Despite the rules against it, there are 292 “contractors” on site which effectively means 292 “license holders” conducting mining operations as part of the general lease. Legally this may be defined as “sub-leasing” which is against the mining concession rules but in fact is proving to be effective.
- c. *Direct engagement of local families.* Certain payments are in place to ensure security and local “buy in” to mining operations, these include: royalty paid to the local family where mining is conducted; the Murree tribe is paid 1.5 million rs per month to do the security for mining in that region. 5200 students have been educated on site on the project; more than 4000 are Murree of which 50 (in Texala) are female; many are being educated on high technology.



Importantly, the project structure that has emerged to support coal mining at Chamalang reflects the local environment in which operations are conducted.

Although there is no direct Government money in the mine, the provincial government provides electricity, hospital and other local services using what is described as a “cluster” set up. An agreement is in place with Punjab for its purchase of the coal where the coal is used for cement and brick kilns. For the Government of Balochistan, Chamalang Coal operation is of significant value, employing 30,000 Baloch miners of which 15,000 (half) are registered in the State social system (UBI); the other half is categorized as “nomadic.” The average wage is 7500-8000rs/month and mine operators provide hostels for workers as needed.

The royalty structure is specific to this coal mining and includes 160rs/ton for federal “tax” and 570rs/ton paid to the Director General of BMDD that is described as a “social royalty” which covers security costs, schools, hospital directly to the community.

### 1.1.2 Industry Structure

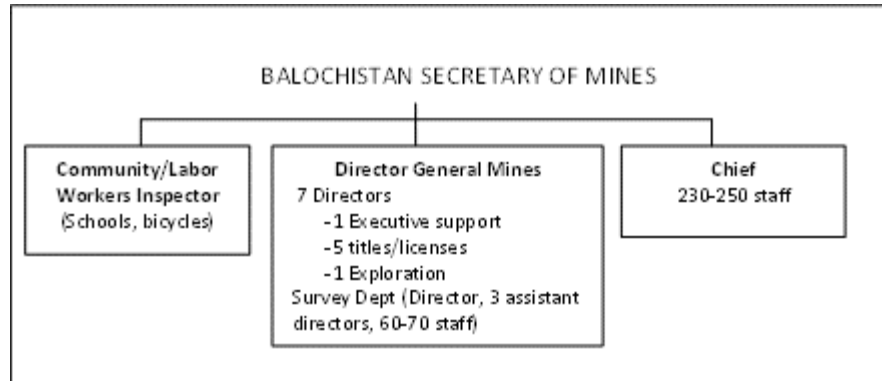


Figure 1 Balochistan Secretary of Mines

The Balochistan Mines Development Department (BMDD) is the responsible provincial government agency overseeing mining operations in the province. Importantly the BMDD structure includes the labor welfare office as a part of the BMDD operations. BMDD maintains “regional hubs” and check points<sup>9</sup> to implement localized monitoring. In addition to the established provincial government structure is a historically entrenched familial/tribal structure that plays a dynamic role in the oversight and implementation of sector operations.

The Mines Committee established under the Mining Concession Rules, 2002, has the function of granting or cancelling titles/concessions. Relative to mining, civil society is active in Balochistan and includes a number of non-government organizations that ensure local benefits from mining; one NGO is involved in training workers to work at smaller copper and gold operations. The Balochistan Mine Owners Association is very active and boasts a wealthy membership that is noted for its community contributions.

### 1.1.3 Provincial and Other Programs

A direct result of foreign investment in Balochistan has been the development of provincial programs to support education and infrastructure development. As noted above, these include training and education facilities as well as local infrastructure such as road building.

- a. *New regional offices and complex.* BMDD anticipates the establishment of new regional offices to better serve mining activities located outside of Quetta. BMDD is constructing a set of facilities described as a “Mineral Complex” that will include a small scale mining institute and other support service facilities for the Balochistan mining sector.
- b. *Large-scale mining.* In order to look after large-scale mineral exploration activities, BMDD has established a separate branch of its Exploration Division.
- c. *Model quarry.* Some years ago federal funds were provided in Balochistan to establish a “Model Quarry”. The model quarry was to be developed with the Pakistan Stone Development Corporation (PSDC) using federal grant funds but ultimately failed; there has not been good experience with PSDC. There continues to be a lack of clarity between the roles of federal and provincial government in mining notably when foreign investment is involved.
- d. *New processing facilities.* Other than coal which is sent to Punjab, most mineral products mined in Balochistan are generally sent to Karachi for processing or export. BMDD officials seek to enhance mineral processing facilities at Khozdar which is approximately 300km from Karachi and 450km from Gwadar.

<sup>9</sup> Spin Karaze, Hanna, Rakhni, Sibi, Hub, Sakran Lohi and Degari.

## 1.2 Khyber Pakhtunkhwa<sup>10</sup>

The population for Khyber Pakhtunkhwa (KP) is approximated at 18 million although a recent census has not been conducted; it is estimated to be 10-13% of the Pakistan population.

### 1.2.1 Commodities and Resources

KP is host to a large array of minerals; the primary mining in KP is marble and granite as well as coal (ranging from lignite to bituminous) and limestone. KP is also host to oil and natural gas. KP divides its mineral categories into five: (1) dimension stone, (2) gemstones, (3) industrial rocks (i.e., rock salt, limestone, phosphates, gypsum, soapstone), (4) fuel minerals and (5) metallic minerals (southern province, i.e., coal, base metals, lead) and construction materials. Some highlights are provided in the text box\*.

### 1.2.2 Industry Structure

The KP Government offices supporting mining are themselves important job creators; some consideration has been given by Government to downsize Government mining operations; it is recommended that a close functional analysis be conducted and that the staffing numbers may be adequate but that staff assignments may be reoriented to cover different and additional topics.

Approximately 200 staff is based in the Peshawar-based KP Mineral Development Department (MDD); in addition, there are 6 regional offices with about 20 staff each; MMDD plans increased decentralization of the three core functions. Further, three additional offices are being established as part of the KP MDD: Abbottabad, Swat, and Karak. The KP MMDD is guided by six primary "Rules of Business": (1) Licensing; (2) Development of Mineral Resources; (3) Land; (4) Regulations and Royalties; (5) Geological Survey; and (6) Health and Safety. Importantly, environment is seen as an area that should be conducted by the KP provincial government.

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<sup>10</sup> Khyber Pakhtunkhwa (KP) became the name given to the North West Frontier Province in 2010 as part of the adoption of the 18<sup>th</sup> amendment to the Constitution April 2010. 74,521 km<sup>2</sup>(28,773 sq mi)

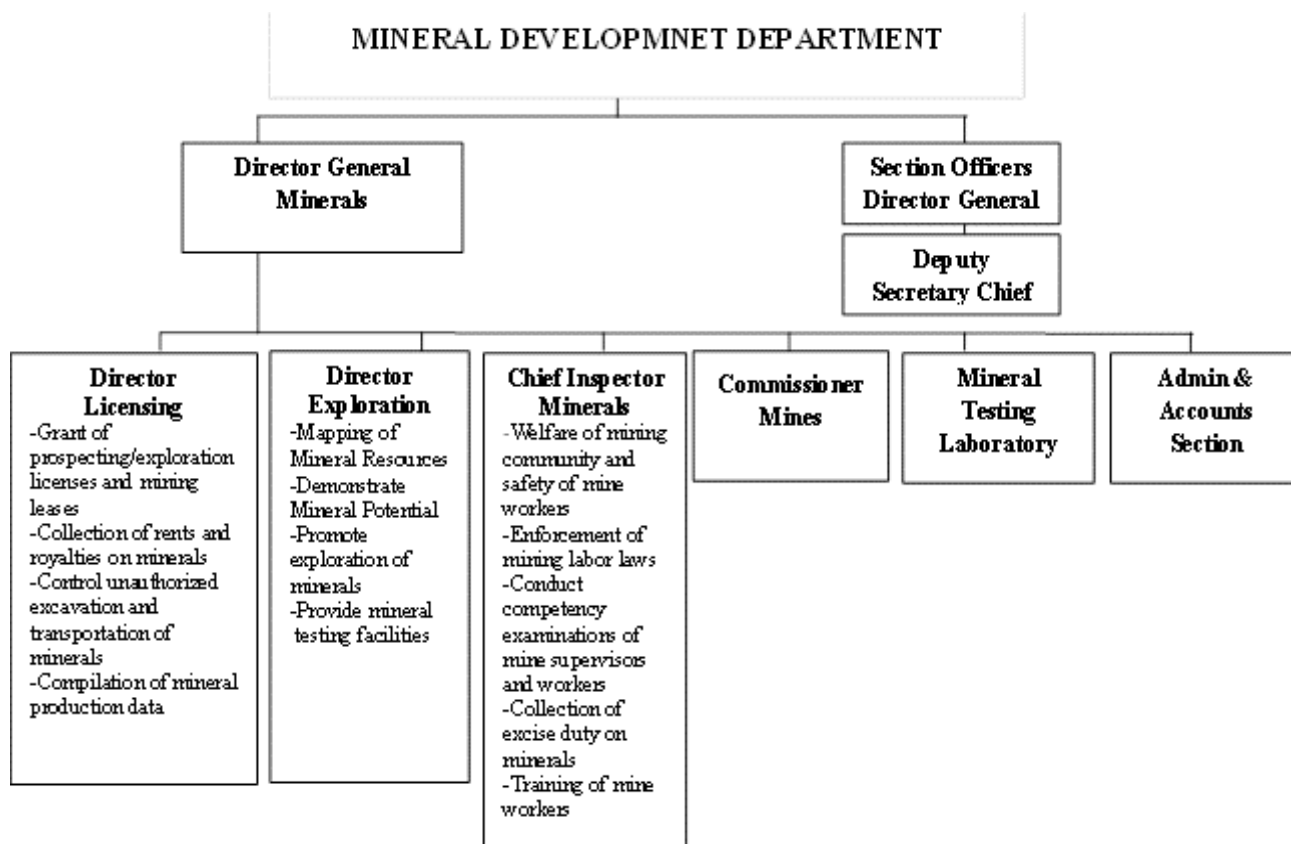


Figure 2 Mineral Development Department

### 1.2.3 Provincial and Other Programs

With the assistance of Australian assistance, KP has conducted a survey of 40,000 sq. km including sampling that resulted in 32 mineral occurrences/elements. KP has also upgraded its testing lab and is in the process of installing additional GIS equipment; managers indicated a need for more GIS capacity, upgrading of labs and that geochemical anomalies need further study. Government funding<sup>11</sup> has been allocated for a variety of mining development work:

- Establishment of three new regional offices;
- Upgrading and construction of shingle roads to link mines to markets;
- Geo-chemical exploration work focused on precious metals;
- Research and development of ores;
- Upgrading the testing lab, building and equipment;
- Institutional strengthening of MDD (NOTE: this was described as purchase of vehicles and multi-media equipment).
- Development of model coal mine in Nowshera;
- Purchase of safety equipment, i.e., testing gases and rescue equipment;
- Developing a model open marble quarry in Buner;
- Upgrading mineral data;

<sup>11</sup> Approximately Rs.1,208,642,000

- k. Improving Mining Concession Rules;<sup>12</sup>
- l. Construction of a new building for MDD in light of its poor condition and inadequate/unsafe passage/entry; and
- m. Other potential projects including exploring coal beds, and more GIS work.

KP has also upgraded its testing lab and is in the process of installing additional GIS equipment; managers indicated a need for more GIS capacity, upgrading of labs and that geochemical anomalies need further study.

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<sup>12</sup> It is noted that KP is looking to FIRMS to assist with this.

## 2. Regulatory and Institutional Framework

In order to succeed in attracting sustained, legitimate and qualified private investments in minerals development, clear regulatory guidance, institutional responsibilities and regularized information exchange are essential. For both Balochistan and KP, if to compare favorably with competing international minerals markets, particular emphasis will need to be given to: i) clarified institutional arrangements; (2) modernization of laws and regulations; (3) establishing a predictable minerals fiscal regime; and (4) understanding and promoting worker, environmental and social protection.

### 2.1 Regulatory Framework

#### 2.1.1 National Context

The Mines Act of Pakistan was adopted in 1923 followed by the 1948 Regulation of Mines, Oil and Minerals Act; other than this there is no national law specific to mining. In accordance with the Constitution of Pakistan, mining is a provincially governed topic; each province has adopted former federal Mining Concession Rules to be their own with some slight modifications. Importantly, a National Minerals Policy, recently amended 2013<sup>13</sup>, effectively serves as official legal guidance on mining matters ordinarily included in law and regulations. A more modern and comprehensive legal basis for mining in Pakistan is required. If Balochistan and KP seek to enhance the mining investment environment either (1) more comprehensive legislation or (2) well-detailed and comprehensive mine contracts with supporting regulations must be prepared.

A more modern and comprehensive legal basis for mining in Pakistan is required.

- Constitution of Pakistan, 1973, as amended. Articles 141 and 142 do not include minerals other than oil, gas and nuclear minerals; under the 18th Amendment (2010), minerals are a provincial topic. Complications may be expected as foreign investment in mining enters Pakistan in which case some federal oversight relative to investment and finance matters will be required; this federal-provincial dynamic has already been experienced in the Saindak and Reqo-Diq investments in Balochistan<sup>14</sup>. Investors need to clearly understand the role of the State in the mining sector and authority of federal, provincial, district – and even tribal and family authorities.
- The Mines Act, 1923. As a matter of Constitutional authority, mining in Pakistan is a topic of provincial authority; each province maintains its own set of policies, rules and institutional arrangements that, while similar, distinctly reflect the manner in which sector operations are functioning. The authorizing legislation relevant to the sector is the Mines Act, 1923 and the Regulation of Mines, Oil and Minerals, 1948 followed by regulations issued thereafter. Despite more recent Mining Concession Rules (2002 Balochistan, 2002 updated 2005 in KP), the legal framework needs to be updated.
- The National Minerals Policy, 2013. The Federal Government of Pakistan regards mining as a priority sector and has recently in cooperation with the Provincial Governments issued an updated National Minerals Policy (NMP). The original NMP was issued in 1995. The 2013 NMP policy document is comprehensive covering all of the key-aspects for the development of the mining sector, namely (i) objectives, (ii) constitutional position of minerals, (iii) establishment of a regulatory framework, (iv) sector institutional framework, (v) licensing types

<sup>13</sup> Original version 1995

<sup>14</sup> Thar Coal in Sindh has also had to address these dynamics and did so by establishing the Thar Coal and Energy Board.



and conditions, (vi) environmental protection, (vii) fiscal regime, (viii) small scale mining, and (ix) social development and a number of miscellaneous matters. The document not only articulates mining policy aspects but also covers a number of legal regulatory aspects which in other mining countries are defined in the mining code and associated regulations.

### 2.1.2 General Provincial Context

The overall legal and regulatory context in which mining is being conducted in Balochistan and KP implies that the NMP is playing the role of a “Minerals Law.” The NMP sets forth considerable content that would typically be included in law or regulations. For example, it states that minerals other than oil, gas and nuclear minerals and those occurring in special areas are under the control of the federal government (e.g., the federally administered tribal areas and national area surrounding Islamabad are governed by the laws and regulations of the provinces in which they are located). With respect to royalties and penalties, regulatory guidance may be improved. The application of royalty on weight does not capture optimal revenue for Government. Penalties are too low in most cases to reflect the violation. Specific guidance is provided on licensing and other matters that creep beyond typical policy guidance.

- a. Mining Concession Rules. Balochistan and KP are guided by their own Mining Concession Rules developed in 2002 (KP updated in 2005) which considered the 1970s Mining Concession Rules that were focused on small-scale mining. The provincial concession rules are virtually identical in content and approach and were prepared to implement one part of the NMP - the fundamental parameters in which mineral rights may be awarded. The Rules as published set forth clear and relevant processes for the award and implementation of license/lease rights, but they are narrowly confined to this aspect and do not comprehensively address related legal aspects of considerable importance, i.e., environment, social, fiscal.
- b. Additional Laws, Regulations and Rules. Detailed review of the rules in the context of modern and market-based mining is required. Whether included in the Mining Concession Rules or additional rules, additional attention to certain aspects is recommended i.e.,
- Detailed rights and obligations of Government, mine companies, workers, civil society
  - Institutional roles and responsibilities
  - Financial rules (comprehensive)
  - Environmental and Social assessment and mitigation requirements
  - Technical standards
  - Updated violation and penalties

The overall legal and regulatory context in which mining is being conducted in Balochistan and KP implies that the NMP is playing the role of a “Minerals Law”...

Hierarchy of Policy and Legal Acts in Pakistan

- Constitution (1973)
- Laws/Act of Parliament
- Presidential Ordinance
- Regulations
- Statutory Revisionary Orders (SROs)
- Notification/Ministerial Order (Policy) Planning Commission Documents (PC)
- To date 20 amendments to the Constitution
- Presidential Ordinance may become Law upon Parliamentary approval

While additional legal and regulatory guidance is available in Balochistan, KP, and national law on environment, land, resettlement, labor and other topics, they should be strengthened with respect to mineral regulatory aspects. Updating and harmonization of mine-related legal and regulatory provisions including clear description of institutional roles and responsibilities is essential. Investors, Government departments and citizens need to understand the legal hierarchy guiding mining in the province - and the country. (See Text Box)

### 2.1.3 Balochistan Regulatory Framework

- a. *Licensing.* Presently, there are approximately 1500 mine licenses/leases (including prospecting and mining) for small scale mining and 11 Exploration Licenses for large-scale mining that have been issued to public and private local and international investors<sup>15</sup>. A summary of how license rights may be obtained include:
  - i. Auction process in line with the Balochistan Mining Concession Rules
  - ii. Application process
  - iii. Sub-licensing by local families/tribes who have the rights to the land and generally obtain a mining lease from the BMDD
- b. *Royalties.* In 2012 Government received 4 billion rs from all mining operations; of this, 1.3 billion rs<sup>16</sup> from marble. Presently royalties are 350rs/ton for onyx, 100 rs/ton for marble and 70rs/ton for coal to be increased to 100rs/ton. (See *Text Box*) Comparative to other mineral markets outside Pakistan, these are low royalty rates.

The BMDD calculates royalty receipts per month and in order to collect amounts due, outsources the collection function to contractors. These contractors are awarded the royalty collection rights by auction and are responsible for depositing the Government's calculated amount per month into a Government account in addition to 10% over that amount collected; the remainder of funds may be retained by the contractor.

- c. *Transport.* Regulation of transport is localized and relies on what the BMDD reports to be an effective "chalan (receipt) system" in which the mine owner retains a black chalan, the truck driver receives and a red chalan that he presents to a check-post at which time the check-post gives the driver a green chalan. The red and green colors were intentionally chosen as these colors cannot be photocopied.

### 2.1.4 Khyber Pakhtunkhwa (KP) Regulatory Framework

- a. *Licensing.* In KP, mining to date has been small and medium-scale; there are only (1) Prospecting Licenses and Mining Leases issued; there are no other types of licenses or trader/dealer licenses. The licenses/leases in place generate significant local employment:

Table 1 Licensing Details - KP

KP Division	Prospecting License	Mining Lease	Total	No. of Miners
Peshawar	120	63	183	6,700
Mardan	83	50	133	3,800
Kohat	88	65	153	7,720
DI Khan	58	11	69	1,670
Hazara	201	107	308	7,580
Malakand	348	135	483	4,980
Total	898	431	1329	Approx 32,450

<sup>15</sup> Information provided by BMDD, September 2013

<sup>16</sup> KP generated 600,000rs royalties from marble in 2012

- i. Auctions for Licenses/Leases are conducted once a month; close review of whether this is a best approach to generate optimal mining investments is recommended. It is unclear why such a fast and regularly-paced auction schedule is in place; it is likely that considerably fewer auctions will have longer-term value for KP.
  - ii. Cancellation of Licenses/Leases. Under the Director General (DG) for Licensing is an Assistant DG who has the inspection authority to cancel licenses; Mineral Development field officers work under the Assistant. Licenses can be cancelled by the MMDD but cancellation may be appealed to the Secretary in which case MDD managers note high levels of politicization whereby licenses are re-instated. This regulatory approach results in an unpredictable setting in which a license may be cancelled and more formalized processes are recommended.
  - iii. Definitions of mine sizes are required. KP MDD has attempted to introduce policies to control licensing including a 200-acre rule but needs to develop criteria for investors. The MDD reports that even 200 acres is too much for small scale mining where in reality, operators lack the technology, capacity and funding to properly mine. Gemstones have a 5 acre policy. “Large-scale” mine is described as an Rs.300,000,000 investment (approximately \$US3 million) which is comparatively very low for international norms.
- b. *Royalties*. KP MMDD has a fixed royalty for 42 minerals that are occasionally reviewed. Marble is a fixed royalty of 30 rupees/ton. *In addition to royalty is an “excise duty”* called a “CESS” and is 3-5 rupees per ton. These funds are collected by the MDD and used for social issues such as housing, disability and other social support.
  - c. *Illegal mining*. There is considerable reference to Mining Concession “Rule 173” which requires payment by any illegal mine operation of the “mine-pit value” of resources produced and that this penalty is far too high and so unrealistic it is not possible to enforce. This rule also says that any unauthorized mining or obstruction would result in 3 months to 3 years **and** 1-10lak issued by the Court of competent jurisdiction.
  - d. *Mine workers*. There are approximately 32,500 workers in the KP mining sector; an average of 24 workers die each year from mine-related accident/injury; 60% deaths occur from underground mining. When a worker dies in this manner, the family receives 5lak<sup>17</sup> from Government and 2lak from the mine company. Some attention to worker benefits and review of child labor aspects will be useful.
  - e. *Mineral sales*. “Middlemen” often purchase minerals and resell; there is no licensing or other standard in place to guide this segment of the business. These buyers often stockpile resources awaiting higher prices and also purchase from illegal operations. It is not clear whether “salting” (adding non-mineral elements to the actual minerals) is an issue. MMDD notes that the Board of Investment would be the regulatory body for this activity.

## 2.2 Institutional Frameworks

### 2.2.1 International Best Practice

Each country has developed specific institutional arrangements to optimize mineral development. No matter the levels of Government, the most critical functions of government’s mining institutions include:

- a. A Cadastre Office (commonly referred to as the Cadastre) maintains a register of licenses/leases and activities related to licenses and leases (“cadastre”), using a cadastral map that is a comprehensive register of the metes-and-bounds of mines. The cadastre

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<sup>17</sup> Lak = Rs100,000

includes details of the ownership, license terms, and increasingly, the precise location (i.e., GIS coordinates) of the mines. License/lease holders are obligated to report to the cadastre as part of their license/contract terms and typically the cadastre is a fundamental source of data in disputes and lawsuits between landowners.

- b. A Geological Survey is an institution charged with the systematic investigation of the geology of a country and/or province and for maintaining the country/province's geological map. Geological Survey maps are available for investor and public review although survey. Core mineral and rock samples are maintained, where possible, by the Geological Survey.
- c. A Mine Inspectorate (commonly referred to as Inspectorate) is an essential institutional component in the minerals sector. It is charged with the implementation and oversight of health and safety of the mines. This includes mine safety, worker health and safety, and some poorly defined environmental and social aspects. Regulatory drafting should be an inherent part of the Inspectorate work, technical certification and enforcement power to stop mining operations that are not in compliance with operating requirements.

In the present institutional structure, these functions are in place in Balochistan and KP although different terminology is used for some descriptions.

**Table 2 Institutional Structures**

Mine Institution	General Function	Status in Balochistan/KP
Cadastre	Licensing/leasing; cadastral map	Provincial; "Licensing Department"
Geological Survey	Geological investigation & survey work	National function (Quetta HQ) Provincial "Exploration Promotion" Departments
Mine Inspectorate	Health & safety, technical compliance	Provincial; part of MDD

In addition to specific mining functions, Government institutional support is essential to address mine-related topic areas, i.e.:

- Environmental protection
- Social impacts and mitigation
- Land use
- Labor protection

### 2.2.2 National Institutional Framework impacting Mineral Development

- a. Clear federal and provincial institutional roles. Especially for oil and gas but increasingly for minerals, clarification and delineation of roles of national and provincial institutions is required. Any foreign investment will require a combination of national and provincial institutional participation that for an outsider is not yet sufficiently clear. Especially relevant for large-scale mining - some federal institutional functions will emerge, i.e.:
  - Ministry of Petroleum and Natural Resources– oil and natural gas
  - Board of Investment (BOI) – notably relevant with large and foreign investments
  - Ministry of Finance (Federal Board of Revenue, Tax and Custom Authorities)
  - Planning Commission of Pakistan – especially when integration of infrastructure, water and mining results
  - Ministry of Labor and Manpower

- Ministry of Law
- Water and Power Development Authority (WAPDA)

Note: An issue of Article 173.3 of the Constitution in light of the 18th amendment says that oil and natural gas is a concurrent item – to be jointly managed by federal and provincial government – BMDD seeks advice on how to manage this. Investors will similarly need to understand this relationship.

- Completion of institutional arrangements.* In addition, a number of mineral-related institutions have been published as part of the sector regime that are not fully implemented. These include the Mineral Investment Facilitation Board, chaired by the Prime Minister and in the provinces and Special Areas and a Mineral Investment Facilitation Authority, chaired by Chief Minister. These institutions have experienced a “start and stop” life and provincial governments should reconcile their possible functions with the national government.
- Minerals Working Group. Informally a Minerals Working Group (MWG) was established in 2012 in order to join federal and all provincial Government stakeholders together to assess and address mining issues in Pakistan. The concept of the MWG has been successfully implemented in other mining countries and should be pursued. More formalization of the group is recommended including the appointment of rotating leadership, scheduled meetings, and publication of key work.
- Mines Committee. As part of the Mining Concession Rules, description of a “Mines Committee” is given; otherwise, legal descriptions of the MDD and its departments are not in place. In fact, the “Mines Committee” does operate as the licensing authority; clarified institutional definition including “terms of reference” or “scope of authority” for committee members for can guide expectations and mitigate investor confusion.

### 2.2.3 Provincial Frameworks impacting Minerals Development

- Minerals Development Department. Balochistan and KP maintain a Minerals Development Department (MDD) established with the mandate to grant mining licenses and leases, collect fees and royalties and monitor activities in the mineral sector. The MDDs are also responsible for maintaining “master plans” (and cadastral maps) showing positions of all licenses and leases granted, renewals, transfer of rights, and surrender/termination of rights and to make this information public through regular publication in the official gazette. The MDDs are generally organized in three divisions for (i) Licensing (ii) Exploration Promotion and (iii) Inspectorate of Mines. An Auction Committee is generally included under either the Secretary or the Licensing Department. The specific design of the departments for Balochistan and KP are along these lines although modified over time and those structures are presented below. In addition to the MDD, provincial institutions that will play a role in mining include:

- District Coordination Officer
- Environmental Protection Department
- Finance Department
- Planning and Development Department
- Irrigation and Power Department

Provincial institutions that will also play a role in mining District Coordination Officer Environmental Protection Dept Finance Department Planning and Development Department Irrigation and Power Department Labor Department Social Welfare Department Agriculture Department Board of Revenue Public Procurement Regulatory Agency
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- Labor Department
  - Social Welfare Department
  - Agriculture Department
  - Board of Revenue
  - Public Procurement Regulatory Agency
- b. Balochistan. The BMDD structure reflects a typical mines department framework. A Cadastral map is maintained in which approximately 60% of the provinces mines have GIS coordinates. Mining sites in Balochistan can be 4-5 hours from the Quetta-headquarters of the BMDD. Therefore, the province is divided into 6-7 zones, each of which has its own inspectors. Inspectors are certified under the law and rescue operations<sup>18</sup> and related training are regularly provided.

The Environment Department of Balochistan addresses relevant mining issues and has established an Environmental Tribunal by the High Court; to date it has entertained a case relevant to mining on a “crushing plant.” Consistently reported is a lack of success in working with the Geological Survey of Pakistan (GSP) office despite it being based in Quetta, reported by key stakeholders to be a “very closed operation”. The BMDD maintains its own Survey Department which has 60-70 staff.

More specific to Balochistan than KP is the mine investor profile that includes local families and tribes to the extent that they have obtained license/lease rights and in effect sub-license/sub-lease these rights to local operators. In addition, Balochistan is host to the country’s two largest foreign mineral investments at Reko Diq and Saindak.

- c. Khyber Pakhtunkhwa. The KP MDD notes that by law the Inspectorate is an independent function but its Inspectorate operates under the MDD. Under the Chief Inspector is a Director General, Senior Inspectors, Inspectors and Commissioners (all in line with the law). Under the Exploration Department a Director General and Assistant Director General as well as Chief Geo-chemist, Senior chemist and other positions are staffed. In KP, new institutions, formal and not, are being considered.

A “coal army” in FATA secures a coal storage yard and ensures quality control. KP MDD is considering establishing a “Board of Management” as a public-private operation that would manage a warehouse for marble/granite and/or other minerals to monitor mineral quality and from which sales would be made. Consideration of establishing “Economic Protection Zones” (EPZs) and development of a dedicated Mining Chamber of Commerce are being considered.

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<sup>18</sup> The International Labor Organization (ILO) provided German-made rescue equipment to Balochistan.

#### 2.2.4 Role of the State

- a. *Federal and provincial roles.* An important regulatory and institutional issue for Pakistan is ensuring the clarity of roles for provincial and even federal government in mining investments. In some countries the federal government has a central role (i.e., Mongolia, Mozambique) in mining while in others (i.e., Canada and Argentina), provincial roles are prominent. Investors need to clearly understand the role of the State in the mining sector and authority of national, provincial and district authorities.
- b. *Multiple roles of State.* The State as regulator, investor and even as a mine operator creates room for conflict of interest. The current regulatory and institutional framework allows the State to hold mineral rights which is the case in both Balochistan and KP; closer review of these investments will be useful.
  - In Balochistan Government holds shares in the major mine foreign investments. In KP<sup>19</sup>, there is one state owned mining company relevant to KP that is a JV with the Federal Government, “Southern Mining, Ltd” which is undergoing privatization (rock salt).
  - The National Minerals Policy spoke to the privatization of the Public Sector Mineral Corporations but this has not fully transpired, placing Government in the role of regulator and operator.
- c. *Legal segregation of Government’s role* as investor, operator and as regulator is an important step to transparently governing the sector, i.e. through corporatization of State holdings. Today, these holdings are not corporatized. This means that the same individuals and institutions monitoring and regulating private mine operations *are also* investors, resulting in a conflict of Government interest.

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<sup>19</sup> The Gemstone Company of Pakistan was established in 1979 and disbanded in 1996 when 2 topaz and 2 emerald mines were auctioned; one result is that today there are approximately 40-50 gemstone licenses in KP.

# 3. Institutional, Legal and Regulatory Gaps and Recommendations for Improved Business Processes

## 3.1 Institutional Gaps

Enthusiasm and interest in mining is obvious at the provincial government levels. Mineral Development Department officials express serious interest and concern to establish a more modern and investor-friendly mining environment. Balochistan and KP mineral development is challenged by: (1) institutional gaps – issues that are not presently being addressed by any institution; and (2) need for institutional strengthening – institutions exist but do not possess requisite capacity or sufficiently staffed. A summary of findings:

**Table 3 Challenges Faced By KP & Balochistan Mineral Development**

Issue	Institutional Gaps	Need for Strengthening
Inspection of Mines	Investor, Government and public understanding of inspectorate may be improved	Inspectorate at MDD, regularization of inspections, strengthened enforcement power
Land rights	Some clear policies on land use and land access for mining may be developed	Forestry Department Land Department Environmental Protection Dept
Resettlement/ compensation	Existing law and institutions may not be sufficient to address modern mining needs	Land Department
Environment	Virtually not addressed; URGENT issue!	Environmental Protection Dept
Dispute/Conflict Resolution	Formal guidelines, institutions for various disputes not clear	MDD can play some role District governments role here
Foreign Investment	How federal-provincial agencies are to interact with investor	Financial and foreign investment institutions must develop clear policies and protocols
Public Information	Formal, regularized communication program not in place; media training on mining will be useful	MDD can play a role but perhaps outsource this work and build on community networks
Stakeholder participation	Nascent civil society must be supported to build citizen participation	Provincial Government approaches to more actively include citizens in mining
Worker protection	Inactive union/worker associations	MDD and Labor Department can focus more attention here
Skills training, education	No structured or strategic training in place for provincial residents – institutes, schools, university curriculum needed	Balochistan new Mining Center is a great measure to be strengthened
Financing sector reform	Provincial “Mineral Sector Reform” initiative may be supported to bring together key stakeholders	MDD can work with provincial government, donors



Issue	Institutional Gaps	Need for Strengthening
Downstream mining aspects	Not clear if various downstream issues are being addressed	MDD has a role but Industry Department capacity needed

Both provinces will benefit from a close review of the institutional support requirements to facilitate a comprehensive approach to mineral development that includes “upstream” (i.e., pre-production, production), transport, and “downstream” (i.e., processing). Balochistan and KP shared institutional gaps include:

- Expert oversight of mine-related environmental aspects including review and monitoring of environmental impact assessments and environmental management plans, water, air and soil testing, health testing and more.
- Oversight and monitoring of equitable outcomes; that workers and citizens benefit from provincial mining activities (directly and/or indirectly).

### 3.1.1 Balochistan

BMDD highlights a reinvigorated emphasis to improve mining operations in the province. New BMDD management and new Government commitment to the province and its mining sector holds exciting promise. The BMDD has introduced locally-relevant approaches to making mine operations work that include: formalized relations with tribal and family leaders, sharing of royalties amongst provincial, district, tribal and family structures, and identifying areas where Government monies may be better expended to support mining (i.e., training, roads).

- Dispute resolution. BMDD plays a role in grievance and dispute resolution that is not wholly formalized but seems to work – for now. This approach is not likely to gain confidence of legitimate large-scale and/or foreign investors and requires more clear regulatory guidance.
- Inspection. While the BMDD is confident that the inspectorate function is highly active, virtually none of the mine operators consulted had ever been visited by the Inspectorate.

### 3.1.2 Khyber Pakhtunkhwa (KP)

New Government commitment to economic development of KP is focusing on mineral development. Institutional lead is the KP MDD, some areas where strengthening may take place:

- Award of Mineral Rights. There is considerable discretion in the award of mineral rights in KP; MDD indicates that 95% of licenses are at the review of the DG while 5% are actually evaluated by the licensing department. While the appropriate institutional arrangement is in place, the allocation of actual authority internally in the MDD should be assessed.
- Information. Geological, financial, and overall sector information may be improved for Government, investors, workers and citizens. Greater emphasis on geo-science data (i.e., by hiring more geo-scientists and relevant equipment) as well as a formalized system for information exchange will assist Government to understand critical issues and manage citizens expectations.
- Environment. KP mining includes marble, granite and precious gems that are not necessarily being produced using best methodologies. As a result, product quality is diminished and environmental degradation comes along with poor mining practices. Institutional oversight of environmental issues is required to preserve water, soil and other natural resources, optimize minerals’ value, and to safeguard communities.

## 3.2 Legal and Regulatory Gaps

Financial, economic and general development benefits that may be gained from mining investments are regularly being lost in Balochistan and KP. While there are some gains from

existing mine investments in the form of job creation, community development and small infrastructure (i.e., road building), they are ad hoc and not sufficiently regulated as part of an overall provincial plan for development. Investors are not legally required to make certain contributions, but rather a “case by case” contribution is provided that changes over the course of the mine investment.

There is a tendency in both provinces to rely experiences of marble and granite quarrying with potential mining development; this includes regulations and rules on tender methodology, fiscal and other issues. It will be increasingly important to set forth the regulatory differences between quarrying and mining notably with respect to the financial and contractual structure, use of technologies (i.e., explosives), health and safety, and processing to capture benefits and to protect workers and citizens. As a first step, improved definitions of mine types is essential – i.e,

- In Balochistan a “small scale mine” is defined as “1000 acres or less” which, in the context of the global mining market, can be considered large-scale mining and may therefore be confusing.
- In KP a “large-scale mine” is defined as having an investment of RS 300,000,000 (approximately \$US 3 million) which internationally would not be considered large and in some countries, constitute “small-scale”.

### **3.2.1 Balochistan**

Some of the critical legal and regulatory issues identified are highlighted below.

- Mineral quality. Due to poor mining practices, the use of explosives and an overall lack of mine design based on geology, the terrain and geology of Balochistan quarries is greatly damaged. There is no long-term mining planning; regulating this aspect of mining is essential. This regulatory issue extends downstream in the sub-par manner in which marble and other minerals are cut and sized, reducing the inherent value of the minerals.
- Export of mineral products. The Federal Government has put in place an arrangement with China by which containers imported into Pakistan from China are exported back at low cost – since these containers would be otherwise empty, China buyers can afford to buy mineral products from Pakistan. Since Pakistan suppliers are anxious for a market, the buyers are able to undercut the market price and Balochistan marble, onyx and other minerals are sold at what officials believe to be under-market value and prices.
- International tenders and contracting. Balochistan seeks to improve its mine contracting as well as to solicit additional international investment. Preparation of international standard tender documents and model mineral development agreements is requested. Regulatory guidance on implementing these important aspects is needed.

### **3.2.2 Khyber Pakhtunkhwa (KP)**

Regulatory constraints identified by KP sector players circled around political-economy issues. Great concern is raised about the discretion and politicking surrounding mining in KP. KP MDD cited four critical mineral sector development areas<sup>20</sup>:

- i. To attract large scale investment;
- ii. To have transparent mining operations;

<sup>20</sup> Specific request was made for support from FIRMs and other outside support.

- iii. To have modern and improved mining technology; and
- iv. To discourage small-scale holdings that do not actually operate (i.e., they only pay “dead rent” and hold on to the land included in the mine area)

Regulatory gaps identified during KP consultations:

- Mineral quality and standards. Most of KP chromites is sold to China; China indicates that the chromites must be tested and the “SGS” lab in Pakistan is used. KP MDD is concerned that where they believe the quality is 25%, SGS will report 17%, diminishing the value of the chromites.
- Access to and use of land – both for private and public lands. The role of KP government agencies other than MDD must be explored in this regard. Regulatory approaches that ensure land access as part of mineral rights and clear mechanisms to resolve disputes are needed, notably at the early stages of mine development. With respect to public lands, a lack of clear regulatory guidance results in KP Government departments other than MDD blocking licensed/leased mining activities, i.e., environment, forestry. In some cases an approval by the appropriate provincial department has been issued but is subsequently canceled. This lack of predictability in regulating mineral rights will cause legitimate investors to proceed with caution if at all. Political will to resolve these issues is essential.
- Improved overall investments and mining. Policy and regulatory guidance for MDD to facilitate provincial Government investments in mining may be explored. MDD seeks to learn of approaches that may include JV or associative approaches to improve small-scale mining in KP. Foreign investment is sought to develop large-scale mining but more regulatory review is required – i.e., definition of “large-scale mine” to reflect best practices, identification of which areas would be reserved for large-scale mining; role of the State in these proposed investments.
- Dispute Resolution. A regulatory gap that must be addressed is the manner in which mineral-related conflicts are resolved and rules are enforced. In KP there is significant reliance on use of the provincial court system to resolve the most minimal of cases; this results in project delays and negative perception of mining in the province.
- Revenue generation. More developed regulation on royalties and other fiscal benefits of mining are required including specific guidance on federal and provincial revenues. An example was given that there are 6 cement plants in KP that pay 30rs per ton to the KP MDD but that the federal government obtains close to 100 rs per bag in taxes. KP MDD would like to explore approaches to improved regulation of revenue generation.
- Types of licenses. Investors typically expect a range of license possibilities and how they may be awarded (i.e., by application, by tender, by auction). The Concession Rules rely on auction of mineral rights and limit the types of licenses/leases. Review of how mineral rights may best be awarded and types of licenses to ensure comprehensive and sound development of KP mineral resources would be timely<sup>21</sup>.
- Use of explosives. This is a very large regulatory gap particularly for dimension stone quarrying; some policy has been introduced but is not sufficient. Enforcement of best practices is problematic; clear technical regulations, enforcement mechanisms, empowered inspectors, and meaningful penalty schemes are needed.

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<sup>21</sup> Note, KP officials believe it may be premature to add additional license types at this time.

### 3.3 Recommendations for Improved Business Processes

#### 3.3.1 Strengthened and expanded regulatory framework

In the context of best international practices, there is considerable informality in Balochistan and KP mineral sector operations. A more comprehensive approach to sector development may be pursued. This means:

- a. *Review of the overall legal and regulatory context* in which mining is being conducted in Balochistan and KP implies that the NMP is playing the role of a “Minerals Law” and that the mining Concession Rules serve as the provincial law. In fact, the NMP has no legal authority for enforcement and the Mining Concession Rules are just that –rules relevant to the award of license/lease rights and are not sufficiently comprehensive to support a regulated mining market.
  - Each province would benefit from the finalization of a Minerals Policy and Minerals Act. Provincial adoption of the 1923, 1948 and other earlier legal acts is a proposed start by the provinces but should be supported with re-drafting and new drafting to ensure modern legal guidance. Time-based requirements for project performance and reporting requirements (i.e., monthly, quarterly, and annual) may be detailed as part of the regulatory reform process.
  - This exercise should not be limited to Government participation and should include investors, civil society. The establishment of a Working Group to achieve these outcomes within a defined period of time has worked in other countries; international experience will be useful to review.
- b. *Clarifying and supplementing the Mining Concession Rules* In today’s provincial mineral markets of Balochistan and KP, the Mining Concession Rules are positioned as the primary legal basis. In addition to the Mining Concession Rules, each province is addressing certain regulatory issues in ways that are specific and workable to the local circumstances.
  - The Rules combine legal and regulatory guidance that could be broken out into law and regulations;
  - License and lease types, rights and obligations should be reviewed – i.e., the definitions of “large” and “small” mine, addition of “artisanal license”, etc.
  - Enforcement mechanisms may be clarified and meaningful penalties included (present reliance on penalties in 1923 Mining Act and other older laws should be updated);
  - Considerable discretion is given to the Licensing Authority which may be reviewed, clarified and reduce discretion;
  - Much more regulatory emphasis on monitoring of mining operations, all environmental aspects, and all worker protection and social aspects including land and water access/use issues is required. These may be supplemental to the Concession Rules for some topics, included in amended Concession Rules.
- c. *Greater distinction amongst mining types and mining phases.* As Balochistan and KP seek to facilitate investments in medium and large-scale mining, it will be increasingly important to set forth the differences between quarrying and mining notably with respect to the use of technologies (i.e., explosives), health and safety, and processing in order to capture full benefits and to protect workers and citizens. For the most part, Balochistan and KP rely on small scale and quarry operations. In effect are prospecting licenses and mining leases; exploration and other types of licenses are not in place.

- *Reconsider use of “major” and “minor” minerals.* This terminology is not necessarily in line with international best practices and may not optimally reflect the minerals of the province. Consideration of removing this categorization and relying on size or type of mineral may provide more clarity for investors.
  - *Introduce licensing that reflects the types and stages of mining.* In mining, licensing is a critical aspect for sector operation – from how licenses are awarded to reporting requirements, monitoring and termination. For the most part, Balochistan and KP rely on small scale and quarry operations. In effect are prospecting licenses and mining leases; exploration and other types of licenses are not in place; consideration of expanding the use of exploration licenses and introducing other license types (i.e., reconnaissance, retention, dealers) should be given.
  - *Definitions.* The majority of mining in these provinces today is quarrying dimension stone (i.e., marble, granite) and what in industry terms may be categorized as artisanal and small scale mining. The definition of “large scale” mining is not sufficiently in line with industry terms and how each province seeks to categorize its mineral projects should be clarified.
- d. *Preparation of a template minerals contract* (i.e., terms and conditions). Even in the absence of a complete regulatory regime, clear mine contracts can set the legal basis on which mining activities will be implemented. Considerable international experience may be reviewed, notably for large-scale mining.
- e. *Integration of mineral developments* with infrastructure and other developments, linking mining to economic and social improvements in the province.

*Optimizing the “mining value chain”* – The majority of minerals are leaving the provinces in raw form; identify and facilitate upstream and downstream linkages to optimize economies of scale and leverage sector investments.

### 3.3.2 Clarified Mineral and Related Sector Frameworks

While institutional and legal guidance is in place to facilitate mineral investments in Balochistan and KP, the underlying frameworks may be enhanced to ensure transparent operations, optimal revenue generation, citizen and worker protection, or investor confidence. Clear institutional roles and market rules relevant to land, taxes, and fiscal incentives may be improved for clarity and more specific environment and social frameworks should be developed relevant to mining. *Recommendations:*

- a. *Assess and publish Government institutional roles and responsibilities on mining.* Assessment of now only the mining departments but other government departments that should play a strong institutional role in how provincial minerals are developed should be conducted. This would include assessing comparative mineral markets’ institutional arrangements for how matters relevant to mining are addressed including but not limited to revenue management, environment, worker and social protection, transport and downstream aspects. Importantly for international investors, some clear reconciliation of district, provincial and national government roles is essential; harmonization of how the provinces manage mining is recommended. Adoption and publication of a provincial Minerals Policy will be an important step toward clarifying the institutional roles.
- b. *Strengthened MDDs.* The focus on the MMDDs and their departments should be rudimentary on license procedures and regulatory oversight. Environmental permitting must become an inherent part of sector operations. Monitoring not only of investments but social impacts of these investments is the only way to ensure long-term benefits from non-renewable mining resources. While mining remains a provincial topic, federal authority over environment and foreign investment issues must be reconciled with MDD as the primary institutional

intermediary. Particularly in Balochistan, more clarity on how local families/tribes will interface with investment will be useful.

- c. *Establish a formal mine worker grievance system.* Mine workers do not have adequate information to protect themselves; the trade union structure is very weak. As a result, mine workers are paid a minimum of 7500rs/month as is required under the labor law with no consideration of the dangerous aspects or limited timeline for mine work. There is a “produce or perish” approach to pay and workers are not contractual which means they do not have benefits attached to their jobs. Mine workers are not always “registered workers” under the law. Improved rights for mine workers including health and safety equipment and protective gear is needed as well as a system of redressal (grievance) for workers. Penalties that may be levied on mine operators rely on 1923 and 1948 legal acts and are far too low (i.e., 10-25 rs per violation) to have impact.
- d. *Fortify the social and environmental framework for mining.* Insufficient attention is given to the social and environmental impacts of mineral development in Balochistan and KP. Dramatically more attention and formalization of how Government will address these issues, expectation of mine operators, and how social and environmental impacts of mining will be monitored is *urgently* needed.
- e. *Facilitate stakeholder consultation.* As mining increasingly becomes part of the provincial economy, Government, investors and civil society dialogue must be structured to ensure that developments are sustainable and of equitable benefit to all citizens. Civil society organizations, non-government organizations, district and village councils and other structures are already in place through which consultations may be conducted. A first use of consultation may be in disseminating Government’s Minerals Policy for discussion with all stakeholders.

### **3.3.3 Support of technical modernization activities**

- a. *Geo-data and mapping enhancements.* Technically, both provinces will benefit from the introduction of a modern cadastre system (i.e., using cadastral blocks) and requirement of geology-based mine design (“control mapping”). Balochistan has established a Geo-Data Center. Balochistan and KP conduct prospecting and even exploration activities but more work to collect geo-data and to systematically provide support services to mine operators will be useful. BMDD is in the process of building a Minerals Complex in which it plans to provide training and other support services to the sector.
- b. *Improved Mine Inspectorate.* Balochistan and KP maintain Inspectorate offices as part of the MDD. They rely on the Mines Act and inspection regulations; neither Inspectorate has experience in large-scale mining. Attention to certification and preparation of inspectorate capacity for all types of mining and quarrying is needed. A dedicated training program for mine inspectors should be institutionalized; this is a critical aspect of mine operations. In addition, enhanced familiarity with modern mining techniques, geological preservation (i.e., use of explosives) and health and safety practices will be useful.
- c. *Technical modernization.* More clear requirements for technology notably with respect to quarrying will help to safeguard mineral resources and optimize their exploitation. The Mines Departments must require actual mine designs and that they include mine closing and an environmental remediation and rehabilitation program. As part of this work, KP is considering imposing a moratorium (i.e., 2 years) on the auction and/or issuance of new licenses/leases while it updates the legal and regulatory framework and finalizes a new sector strategy. Some immediate measures that may be pursued:
  - Preparation of a modern and clear explosives policy that includes rules for monitoring, enforcement measures and imposition of penalties

- Preparation of a “Dictionary of Mining Terms”
- Preparation of a list of modern technologies and costs for marble

### 3.3.4 Establishment of a clear Mining Fiscal Regime

- a. Collection and management of mining revenues may be improved. A combination of complex fiscal arrangements blurs the actual reality of payments being made related to mining activities. “Royalty” is a term used to describe every type of payment from a traditional royalty (tax on minerals) to bribes and other local payments that are so entrenched, they have become institutionalized practices. Aside from how revenues are generated and paid, the manner in which they are collected and utilized must also be reviewed; there is no formalized program for management of revenues generated from mining in either province. The provincial mines departments rely on pre-calculated mine royalty receipts and government budget funding that result in cross-subsidization of mineral sector operations not always to the benefit of the local population.
- b. *Current mine investments may be reviewed.* Some deeper review by the Governments of Balochistan and KP would be useful to assess existing investments in the minerals sector and whether these types of investments – and investors – are the types that will help the province further develop the sector. Government should be assessing not only the immediate financial benefits of the investments, but whether the investor is bringing shared values of community development, citizen consultation, environmental protection and other aspects to the province. Government consultation with local non-government and citizen groups will also be useful to gauge the sentiment of community members toward mineral investments. In some districts, citizen sentiment was expressed as “100% against mining”. This and other citizen perspectives must be understood and addressed if a sustainable minerals sector is to develop.
- c. *Cost analysis essential.* Current mine operators in Balochistan and KP rely on understanding the local business investment culture that does not necessarily require market-based analysis and cost assessment. Increased attention to actual production costs is needed. Globally, mine operators always conduct financial modeling for the projected life of the mine. (See Appendix 2) This includes costs of labor, equipment, taxes, royalties, transport, environmental rehabilitation and social contributions. Government must be similarly equipped to model the financial consequences of mine investments **and** to be able to determine which project structures best suit the provincial needs. Repeatedly information was provided about the need for mine operators to construct roads (notably in Balochistan) and that they are often washed away in the rains only to require rebuilding. No one has calculated the ratio of road cost to mine which would be useful for Government to understand if this is a value-added contribution of the mine operator or should be reconsidered.

### 3.3.5 Design and Implementation of a Minerals Revenue Management Program

An essential business process for Government is the collection and allocation of revenues. There is presently no formalized program for the management of revenues generated from mining in Balochistan or KP; overall, the collection and management of mining revenues may be improved. It does not appear that current mining investments in either province are optimal. Considerably more attention is needed in costing out the mining investments in both provinces. Market-based analysis and mine cost assessments are essential at every stage of a mine development – the investors will be assessing costs and so should Government. Government may also more closely review the “fiscal incentives” and “benefits” of mining investments to ensure that mining companies want to invest but also that they will responsibly invest for the long-term benefit of the provinces. Some immediate actions may include:

- Development of a provincial “Minerals Revenue Management Plan” that will address:

- i. Definition of “Minerals Revenue” (i.e., royalties, community funds, taxes)
  - ii. How these revenues will be collected and banked.
  - iii. How these revenues will be monitored and allocated.
- Assessment of “mine investment lessons learned” from other mining markets in the world.

### **3.3.6 Improved Transparency**

- a. Establishment of clear rules for licensing and use of license registries including public access as well as publication of key contract/lease terms is useful. Related to the lack of timely and accurate information is the level of transparency at which mineral rights are auctioned, awarded, implemented and monitored. Award of licenses, i.e., that mining under licenses must commence within a certain time from award so investors cannot “buy licenses and hold on to them.” Defined royalty system, ideally published as part of law or rules.
- b. Publication of license and investment information. Standard mine contract and publication of terms in provincial gazette. Formalized procedures for public access to cadastre and mine contract information
- c. EITI. Pakistan is reviewing membership in the Extractive Industries Transparency Initiative (EITI) which is an international revenue monitoring and reporting mechanism.
- d. Reduced discretion and conflict of interest.
  - Participation of community elders in sector decision making may continue but this role should be clearly defined for all to understand.
  - Government officials may not hold licenses or invest in mining until at least one year after leaving office
  - Reduced discretion of licensing authority through more defined rules on award, suspension, cancellation of mineral rights.

### **3.3.7 Public Information Campaign on Mining**

Whether geo-science, investment-related or policy development, timely and accurate information exchange is not presently an inherent part of Balochistan or KP mineral sector operations. There is an extreme lack of public awareness on mining and general lack of understanding of the risks and benefits of mining. Additional measures to improve information exchange and transparency of sector operations may be made, i.e.

- Preparation of basic “what is mining” information including provincial mineral information, why mining is good for the province, etc.
- Use of existing district and village forums to disseminate information and collect feedback from affected communities.
- Training and engagement of local media as a regular part of sector developments to accurately tell the story of mining.

### **3.3.8 Capacity Building**

The array of business processes required to successfully effect a viable minerals sector requires a similar array of capacity building. Beyond directly engaged mining actors, the Pakistan banking sector, environmental authorities, land and social protection agencies are not yet equipped to address the range of issues that stem from mining activities. The Minerals Development Department may “champion” a “Minerals Capacity Building” program that will include the following.



- Social and environmental protection. The Policy documents prepared have highlighted social and community benefits of mining and environmental protection.
- Mine workers. Perhaps the most critical and least cited capacity for the sector is mine workers, often quickly trained on-site, not fully appreciative of health and safety risks, or their rights and responsibilities.
- Curriculum development that may be shared amongst all levels of the education and vocational sector with emphasis on mine engineering, geology and commercial mining aspects.
- Inter-provincial relations and information sharing. Several aspects may benefit including harmonization of fundamental legal provisions, sharing of regulatory experience, conducting due diligence on investors working in various provinces, sharing technology and contracting experience. The Minerals Working Group (MWG) was informally established in 2012 and further consideration of how that unifying body may operate is recommended.
- Private sector. Government has a role to play in ensuring that private operators – notably working in dimension stone and coal, have adequate technical and commercial capacity to extract these non-renewable resources for provincial benefit. Some engagement of MDD with operators and business associations to ensure adequate capacity and as noted above, close monitoring of operators by the Mine Inspectorate, must have priority going forward.

### 3.4 Comparative International Lessons Learned

Today's global mineral market, especially if to attract financing for large-scale mining investments, is competitive. While investors are profit-driven and less hesitant in risky markets, lenders are typically "risk-averse" and attracted to stable fiscal regimes, predictable regulatory requirements, and politically and security-calm environments that will facilitate profitable operations. (See Appendix 4). A useful way to review sector operations is by mining phases which broadly include:

**Table 4 Mining Phases**

General Mining Phases	Illustrative Issues
Award of Mineral Rights	How has Government identified this area for mining? Are land issues resolved? What mechanisms are used to attract investors? Road shows, web-advertising, clear licensing procedures? How may an investor acquire mineral rights? Application? License? Auction? Tender?
Pre-production activities	In addition to license/lease, what additional permit requirements? I.e., environmental? Forestry? Water? Is land and access compensation in place? What community requirements? Consultation? Community development agreement? Escrow fund for environmental clean up?
Production activities	How regularly is the mine inspected? How are violations enforced? What level of reporting is required? To MDD? To Government? To the community? How are conflicts resolved?
Post-production activities	What happens to remaining equipment and supplies? Who now owns infrastructure constructed? How will water, soil and other environmental damage be remediated?

General Mining Phases	Illustrative Issues
	What methodology will be used to safely close the mine?

Included in these phases are “value chain” phases that include a very useful, detailed breakdown of mining phases<sup>22</sup>.

### 3.4.1 Facilitation of Investment

Mine operators are typically required to have not only a mine license/lease but to obtain environmental, water, forestry and other permits prior to commencing mine activities. This can be a cumbersome process for the investor. While a “one-stop shop” approach is not likely to be achieved, where possible, MDD may serve as the investment facilitator and coordinator of these permitting processes, working closely to support the mine operator as an intermediary with other relevant Government agencies.

### 3.4.2 MDD Capacity

It is essential for Government, investors and citizens, that MDD capacity be strong. In the current context, MDD skills to implement a more comprehensive approach to mineral development will be useful. Environmental, social and mineral quality aspects may be enhanced with MDD as the lead Government agency. Some inter-department coordination must be regularized to support minerals development.

#### Illustrative Investor Questions

Do the processes reflect international best practices?  
Are foreign investors welcome?  
Is the regulatory regime sufficiently flexible to accommodate downturns in the minerals markets (i.e., global price going up or down impacts mine profitability)

### 3.4.3 Award of Mineral Rights

The manner in which mineral rights are awarded will indicate to investors what type of investors is sought by Government. In order to protect these non-renewable resources, in addition to how mineral rights are awarded, consideration of what rights and obligations are included in a “mineral right” must be assessed. These should include local employment and training requirements, time-bound requirements for commencement of production, social and environmental management and mitigation plans, environmental escrow bank accounts, and more.

### 3.4.4 Additional Costs

The minerals of Balochistan and KP have both regional and international market potential and as part of developing these minerals, transportation costs must be considered. Investors will want to understand whether Government will support or contribute to these costs, i.e., roads, electricity, ports, etc.

### 3.4.5 Human Rights and Environmental Protection.

Especially with respect to gemstones, assurance that human rights and environmental safeguards are in place are monitored and tracked by civil society organizations that may impact the attractiveness of a market if vendors have not abided by certain development standards.

### 3.4.6 Integration of minerals’ investment.

Governments around the world are increasingly concerned with attracting mine companies that will not only build long-term mining operations, but will integrate their development and activities as part of the overall community development. Stand-alone investments have not proven to be effective for the long term in providing full benefits to communities. Governments have included a wide-range of requirements as part of regulations and/or mine contracts that better assure long-term integration and benefits from mining.

<sup>22</sup> Additional information on “Extractive Industries Value Chain” may be viewed at [www.eisourcebook.org](http://www.eisourcebook.org)

# 4. Recommended Minerals Policy Statement, Minerals

## 4.1 Balochistan Minerals Policy Statement 2013

Balochistan<sup>23</sup>

Minerals Policy Statement 2013

Mining in Balochistan is historic and has been underway since the early 1950s. Still, the Balochistan mining sector is not generating either the revenues or potential benefits that it could for district, provincial or national benefit in the near or long-term. Development of Balochistan mining has the potential to significantly contribute to the province's gross domestic product (GDP), create direct and indirect employment while providing fuel for industry and power generation, materials for industry and construction, for both domestic and export markets. The Government of Balochistan seeks to optimize economic growth potential of the province with increased focus on its minerals sector. The Minerals Policy supports the sound development and improved production of Balochistan mine resources but also, where necessary, conservation of resources and optimization of mine materials through the use of beneficiation and other technologies using both domestic and foreign investment in the sector.

### **Balochistan Minerals Sector Vision**

To leverage existing mining in Balochistan and develop new mining opportunities and clarified regulatory processes that will result in economic growth and improved quality of life throughout the province.

### **Mission Statement**

Through a comprehensive approach to mineral sector reform that considers historic mining operations, reinvigorated mining and related institutions, increased participation of civil society and modernization of mine/quarry methodologies in Balochistan will leverage near-and long-term financial, economic, resource and social benefits for the province.

### **Main Objectives of the Balochistan Minerals Policy**

1. To develop clear regulatory guidance on institutional roles, responsibilities and enforcement authority.
2. To develop clear regulatory and process guidance on monitoring of mining operations, worker protection, environmental and social aspects including land and water access/use issues.
3. Improved institutional and reporting clarity and oversight of revenues generated from mining including published requirements for the collection, management, use and allocation of these revenues.
4. Strengthened BMDD and Government capacity and coordination to implement a modern mining regime in support of clear mining, environmental, water, land and other rights and responsibilities.
5. Introduction of modern mining techniques and improved technical "know how" to reduce waste of mineral resources.

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<sup>23</sup> Font used based on template provided by FIRMS.

6. Conflict resolution that is accessible for all stakeholders and grievance mechanisms for sector workers.
7. Attraction of legitimate and technically qualified investment that may include foreign investment.
8. Improved linkages of mining to infrastructure development and improving value-chains and value-added benefits to minerals mined in Balochistan.

### **Key Strategic Areas of the Balochistan Minerals Policy 2013**

#### **1. Distinction of Types of Mining**

- a. For the most part, Balochistan relies on quarry operations. As Balochistan seek to facilitate additional investments in large-scale mining, its policy will be to clarify the differences between quarrying and mining rights and obligations with respect to the use of technologies (i.e., explosives), health and safety, and processing in order to capture full financial benefits and to protect workers and citizens.
- b. Assessment of the Mining Concession Rules and modification of license/lease types that are available for investors, definitions of those license/leases and rights and obligations that apply to them.
- c. As part of strengthening the Mine Inspectorate, training on different types of quarrying and mining methodologies, equipment and best practices will be included.

#### **2. Market-oriented Mineral Sector**

- a. The Government of Balochistan will assess barriers for new investors in the minerals sector and identify impacts on the overall economic and social development of the province.
- b. Whether local investors or not, Government seeks market-oriented mineral operations, regularized reporting, audit controls, surety of tenure and enforceable license terms for all legitimate mine operators and investors.
- c. Government will facilitate deeper inter-department relations on mining and related development to ensure that a comprehensive approach is taken to sector development.
- d. BMDD will assess the various royalty and payment schemes now operating in the sector; some of these rely on historic practices but do not optimize revenue generation for the province and may be updated to be more market-oriented.
- e. Regulatory clarity will be conducted through review and amendment of the Mining Concession Rules to (1) consider sub-leasing and sub-licensing; (2) strengthen information on license/lease rights and obligations; (3) include more institutional requirements for social, worker and environmental protection; (4) consider additional types of licenses and mine definitions.
- f. The Government of Balochistan will develop a “Minerals Revenue Management Program” that will track revenues generated from mining in the province and how those revenues are allocated.

#### **3. Increased attention to environment and social aspects of mining**

- a. As a matter of policy, the Government of Balochistan seeks to increase attention on environment, social and worker issues at all mines and quarries in the province through (1) enhanced department awareness of mining impacts; (2) public information campaign to include all stakeholders; and (3) regulatory drafting that is clear and enforceable relevant to these issues.

- b. Government through BMDD will work with mine operators to elevate standards of social and environmental protection including improved health and safety of mining operations.
- c. BMDD will work with mine operators to develop more formal “community benefit program” based on mining activities that include job creation, improved infrastructure, social services, security and that will include community consultation and information exchange.
- d. Government may determine that certain mine areas will be conserved and not available for licensed operations.
- e. Government will immediately require “environmental screening” of all quarry operations and mines; for large scale investments such as Saindak, Reko Diq and Chamalang, closer monitoring of “Environmental and Social Impact and Mitigation” requirements and more regularized stakeholder consultation at those mine sites will be supported.

#### **4. Financial modeling of sector investments**

- a. The Government of Balochistan will dedicate resources to improved Government capacity to conduct financial modeling of existing and potential mining investments including related infrastructure developments.
- b. Government will assess what mining, quarrying and related investments are in place and are needed in the province as well as outside the province (i.e., processing, transport costs) and the fiscal requirements and profit generated from them.
- c. Government will work with private sector to identify opportunities to leverage public-private partnerships to, for example, construct infrastructure, transport and processes businesses, educational programs, and other provincially-based investments.
- d. Government will consider the possibility of establishing a certain percentage (i.e., 1%) of mineral revenues for safekeeping in an account for generations to come.

#### **5. Facilitation of Foreign Investment in Balochistan Minerals**

- a. BMDD will work with provincial departments to develop a modern minerals development agreement on which foreign investments may be developed.
- b. Government will reinvigorate review full-scale implementation of all stakeholder commitments on the Saindak and Reko Diq investments; where necessary, modification of terms so as to ensure that the investments are active.
- c. The Government of Balochistan will identify areas of foreign investment that require provincial-federal relations and areas for improved regulatory coordination, communication and leveraging of investments.
- d. Based on inter-provincial information exchange and on international best practice, BMDD will develop international tender processes and bidding documents.
- e. Government will assess financial and physical security issues and work with relevant provincial authorities to ensure security of tenure for all investors.
- f. Identification of downstream opportunities for processing, sale of Balochistan mineral products through foreign firms.

#### **6. Integrated Infrastructure and Value Chain Development**

- a. The Balochistan Government will coordinate the work of various departments including industry, environment, land, to develop provincial mineral resources in a manner that will integrate and optimize related infrastructure developments such as power generation and supply, roads and rail, and support services.

- b. Where possible, Government will contribute to infrastructure planning and development; public-private partnerships will be encouraged to construct infrastructure that will support mine operations as well as broader provincial development objectives.
- c. The Balochistan Government will support planning approaches that emphasize value chain mining, i.e., in addition to mining, that transport, storage, processing and sales aspects of mining are clearly understood and available for provincial businesses.

## 4.2 Balochistan Minerals Policy

### Cover Note

This Balochistan Minerals Policy has been prepared based on consultations with and information provided by the Mines Development Department as well as a review of the 2013 National Minerals Policy, the Balochistan Province Mining Concession Rules, 2002, the 1923 Mines Act and other laws and literature. Some notes to review/discuss before finalization of this Minerals Policy:

1. This document is prepared purely as a Policy; a Policy Action Matrix has been prepared in support of this document, which provides tangible actions that may be taken to ensure implementation of this policy. Actions may include strategic and legal drafting.
2. A consultative process on this Minerals Policy is essential and should include consultation with Government agencies, civil society and private sector to ensure that fundamental topics are addressed and agreed upon.
3. The emphasis of this Policy is upstream mining aspects that include for this document pre-production, mine development, production and transportation with some mention of downstream but not specific downstream details that would include smelting, marketing, exporting details.
4. Outstanding policy issues to be addressed:
  - a. When/How will Government determine when mine areas will not be open for mining (e.g., preserving the ecosystem, land-use priorities, Government may want to reserve certain types of mining) – what is the process and institutional responsibility?
  - b. Should artisanal mineral rights be available for only citizens of Balochistan or anyone from Pakistan or domestic and foreign investors?
  - c. Will there be prescribed templates for EISA, EMP and other documents or each company provides their own?
  - d. How will social issues be handled by which institutions?
  - e. “Extractive Industries Transparency Initiative” (EITI) and Voluntary Principles were not included here, can discuss whether they may be introduced.
  - f. Oil and natural gas are referenced but not detailed as part of this policy; it is recommended that a Balochistan Oil and Natural Gas Policy be prepared.
  - g. Table of Contents may be reduced to only HEADERS.

## **Balochistan Mines Development Department (BMDD)**

### **Minerals Policy**

1. Balochistan Mineral Sector Context
2. Application Of The Balochistan Minerals Policy
3. Objective Of The Balochistan Minerals Policy
4. Balochistan Mineral Policy Issues
5. Basic Features Of The Balochistan Minerals Policy
  - 5.1 Guiding Policy
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6. Legal And Regulatory Framework
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7. Key Institutional Players
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## **Balochistan Mines Development Department (BMDD)**

### **Minerals Policy**

#### **BALOCHISTAN MINERAL SECTOR CONTEXT**

Balochistan is part of the enviable Tethyan copper/gold belt that traverses Turkey, Iran, and Afghanistan and into Pakistan. Despite the great wealth of Balochistan's natural resources, the province's contribution to the national economy remains comparatively low. The majority of licenses/leases in Balochistan are for coal, marble and other quarry materials. Balochistan is an example of a region where upstream (mining) and downstream (processing) opportunities may be expanded – just for copper the equipment, services and supplies required are vast and provide significant economic opportunity.

Mining in Balochistan is historic and has been underway since the early 1950s. Still, despite hosting two of the country's largest mining operations that involve foreign investment (Saindak Copper and Gold; Reko Diq Copper and Gold) and an additional coal mine operation of note (Chamalang Coal), the Balochistan mining sector is not generating either the revenues or potential benefits that it could for district, provincial or national benefit in the near or long-term. Development of Balochistan mining has the potential to significantly contribute to the province's gross domestic product (GDP), create direct and indirect employment while providing fuel for industry and power generation, materials for industry and construction, for both domestic and export markets.

#### **APPLICATION OF THE BALOCHISTAN MINERALS POLICY**

This Policy supports the sound development and improved production of Balochistan mine resources but also, where necessary, conservation of resources and optimization of mine materials through the use of beneficiation and other technologies. This Policy also supports improved attraction of domestic and foreign investment in the sector. This Minerals Policy is the first consolidated policy for Balochistan; it is applicable to all mining resources in the province and may be supported by additional legal and regulatory guidance.

#### **OBJECTIVE OF THE BALOCHISTAN MINERALS POLICY**

The objective of this Policy is to provide a clear description of the priorities and practices supported by the Government of Balochistan to develop the mineral resources of the province. Through this Policy and its supporting policies, Government seeks to develop mechanisms and approaches that will facilitate investment, build institutional capacity, safeguard Balochistan's mine resources and evolve to improve the quality of life of residents, the environment, district, provincial and national economy.

#### **BALOCHISTAN MINERAL POLICY ISSUES**

This policy is intended to set out a foundation of policy approaches to critical issues that challenge mineral development in Balochistan. Some of the critical issues include:

- Need to develop clear regulatory guidance on monitoring of mining operations, environmental and social aspects including land and water access/use issues.
- Improved institutional clarity and oversight of revenues generated from mining including published requirements for the collection, management, use and allocation of these revenues.
- Strengthened BMDD and Government capacity and coordination to implement a modern mining regime in support of clear mining, environmental, water, land and other rights and responsibilities.
- Introduction of modern mining techniques and improved technical "know how" to reduce waste of mineral resources.

- Conflict resolution that is accessible for all stakeholders and grievance mechanisms for sector workers.
- Attraction of legitimate and technically qualified investment that may include foreign investment.
- Improving linkages of mining to infrastructure development and improving value-chains and value-added benefits to minerals mined in Balochistan.

## **BASIC FEATURES OF THE BALOCHISTAN MINERALS POLICY**

### **Guiding Policy.**

The Balochistan Minerals Policy is intended to provide a general framework and guidelines for the manner in which Balochistan's mineral resources shall be further developed. This Policy emphasizes both "upstream" (exploration and exploitation) and "downstream" (processing, transformation, trade, export) aspects of mineral development as ways to foster development of the provincial economy.

### **Distinction of Types of Mining.**

For the most part, Balochistan relies on quarry operations. As Balochistan seek to facilitate additional investments in large-scale mining, it is increasingly important to set forth the differences between quarrying and mining. This is especially true with respect to the use of technologies (i.e., explosives), health and safety, and processing in order to capture full financial benefits and to protect workers and citizens. Exploration and other types of licenses are not in place; consideration of expanding the use of exploration licenses and introducing other license types (i.e., reconnaissance, retention, dealers) will be given.

### **Market-oriented Mineral Sector.**

Historically, mining in Balochistan is guided by deep family and tribal relations that directly impact the overall economic and social development of the region. The barrier for outside market entrants into the Balochistan mining market is high and shows no immediate signs of reduction. Whether outside or local investors in mining, Government seeks market-oriented mineral operations, regularized reporting and audit controls. Government will ensure surety of tenure and enforceable license terms for all legitimate mine operators and investors. This will mean enhanced BMDD capacity and other supporting institutions.

### **Increased Attention To Environment and Social Aspects of Mining.**

As a matter of policy, the Government of Balochistan seeks to increase attention on environment, social and worker issues that are insufficiently being addressed in the current mining environment. Government is committed to working with mine operators to elevate standards of social and environmental protection including improved health and safety of mining operations. In order to ensure that the people and local environment of the province is not unnecessarily burdened by mining, Government may determine that certain mine areas will be conserved and not available for licensed operations.

### **Financial Modeling.**

Financial modeling of existing and potential mining investments may be commissioned by the BMDD to a locally based accounting firm. Government needs to better assess what investments are in place and the fiscal return being generated from them; its rationale for royalties and overall approach to fiscal requirements for mining will be useful.

### **Facilitation of Foreign Investment.**

Foreign investment in mining in Balochistan is underway and more is sought. The Balochistan Mines Development Department (BMDD) seeks to develop a modern mineral agreement that specifically

targets large-scale copper, gold and associated minerals. In addition, BMDD seeks to develop international tender processes and bidding documents. In order for this type of investment to be viable, clear institutional responsibilities of Balochistan as well as federal Government agencies is required. Security of mine operations must also be in place.

### **Integrated Infrastructure Development.**

Government seeks to develop Balochistan's mineral resources in a manner that will integrate and optimize related infrastructure developments such as power generation and supply, roads and rail, and support services. Government encourages the use of public-private partnerships to construct infrastructure that will support mine operations as well as broader provincial development objectives.

## **LEGAL AND REGULATORY FRAMEWORK**

### **Legal Framework**

As a matter of Constitutional authority<sup>24</sup>, mining in Pakistan is a topic of provincial authority; each province including Balochistan maintains its own set of policies, rules and institutional arrangements that, while similar, distinctly reflect the manner in which provincial sector operations are functioning. A more modern and comprehensive legal basis for mining in Balochistan is required; consideration of the drafting of a "Balochistan Mining Act" shall be given.

### **Federal and Provincial Roles in Mineral Sector.**

The Federal Government of Pakistan regards mining as a priority sector and has in cooperation with the Provincial Governments issued an updated 2013 National Minerals Policy (NMP)<sup>25</sup>. The 2013 NMP policy document is comprehensive covering all of the key-aspects for the development of the mining sector, namely (i) objectives, (ii) constitutional position of minerals, (iii) establishment of a regulatory framework, (iv) sector institutional framework, (v) licensing types and conditions, (vi) environmental protection, (vii) fiscal regime, (viii) small scale mining, and (ix) social development and a number of miscellaneous matters. The document not only articulates mining policy aspects but also covers a number of legal regulatory aspects which in other mining countries are defined in the mining code and associated regulations. BMDD will work with federal government to ensure clear understanding of legal roles in mining investments.

### **Balochistan Concession Rules.**

Award of mineral rights in Balochistan is guided by the Balochistan Mining Concession Rules developed in 2002. These rules set forth clear and relevant processes for the award and implementation of mineral license/lease rights but in order to support a modern mineral sector under this Policy, additional attention and preparation of guidance to certain aspects will be given through the drafting of rules, i.e.

- Additional types of licenses and licensing requirements
- Clearly drafted rights and obligations of Government and Investors/Mine Operators
- Comprehensive financial rules and processes including institutional arrangements
- Mine Environmental and Social assessment and mitigation requirements
- Technical standards especially for quarrying
- Updated violation and penalties to reflect the modern market

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<sup>24</sup> Constitution of Pakistan, 1973, as amended (Articles 141 and 142) does not include minerals other than oil, gas and nuclear minerals in either the Federal Legislative List or the Concurrent Legislative List (federal and provincial topics). Thus, minerals are a provincial topic.

<sup>25</sup> The original NMP was issued in 1995.

**Sub-leasing**

In order to facilitate the management of certain operations, some “sub-leasing” has been approved which effectively means that these “sub-leases” should abide by the rules that apply to any “license holder” conducting mining operations. This may be defined as “sub-leasing” which is proving to be effective in Balochistan but is not legally defined and should be.

**Additional Legal and Regulatory support.**

Additional legal and regulatory requirements are applicable to mineral sector development in Balochistan including environmental, land, social protection, tax, labor and other legal acts. Technical, financial, health and safety, environmental, and social regulations to support mining development are and will continue to be developed by the BMDD in coordination with relevant Government authorities. Technical standards for mine operations are to be prepared by the appropriate technical bodies.

**Procedures and Guidelines.**

The BMDD and relevant Government agencies shall issue relevant procedures and guidelines in detailed support of the legal and regulatory framework for the Balochistan Minerals Sector.

## **KEY INSTITUTIONAL PLAYERS**

### **Balochistan Mines Development Department (BMDD).**

The Balochistan Mines Development Department (BMDD) is headquartered in Quetta and is the provincial government agency responsible for the administration, oversight and regulation of the “upstream” aspects – exploration and exploitation - of the mineral sector including the licensing of mineral rights, collection of royalties, ensuring worker safety and facilitating access to mineral lands. The BMDD structure includes a labor welfare office as a part of the BMDD operations. Included under the BMDD are three critical sector functions:

#### **i. Cadastre.**

The Cadastre is responsible for the licensing and registration of all mines. It shall maintain a cadastral map of Balochistan and issue reporting requirements for mineral operations through which it will monitor mine operations.

#### **ii. Inspectorate.**

The Inspectorate is responsible for developing and monitoring the adequacy of mine and worker health and safety equipment, services, supplies and procedures. As a matter of policy, certification and testing shall be strengthened and the Inspectorate shall be expanded.

#### **iii. Geological Survey.**

The Geological Survey is responsible for the exploration and resource mapping of mineral resources in Balochistan with consultation and collaboration with existing mining operations and the Geological Survey of Pakistan. This includes the retrieval and maintenance of geo-science data and maintenance of geo-science data. Geological Survey information, services and goods shall be provided at cost.

### **Environment Department.**

BMDD will work with the Environment Department to develop realistic environmental screening, impact assessment and management planning for different types of mining including permitting requirements for mining and mine-related activities.

### **Industries Department.**

BMDD will work with the Industry Department to identify areas for improved coordination and collaboration to attract greater investment in downstream operations.

### **New Mine Institutions.**

As may be deemed necessary, the Government of Balochistan may establish and/or restructure existing institutions in order to contribute to capacity building and the sound development of the Balochistan minerals sector. Existing institutions may be strengthened by the Government in the furtherance of sound development of the province’s indigenous mineral resources.

### **Civil Society.**

Relative to mining, civil society is active in Balochistan and includes a number of non-government organizations that ensure local benefits from mining. As a matter of policy, participation of civil society in how minerals are developed in Balochistan will become a more active part of Government’s work. Non-government organizations providing miner training, protecting environmental and social conditions and mines owners are essential to ensuring sound development and benefits of minerals in Balochistan.

### **Monitoring and Oversight of Mineral Resources.**

All mineral resources located on or within the territory of Balochistan remains in the jurisdiction of the Government of Balochistan and license rights and renewal may be awarded by the Balochistan Mines

Development Department (BMDD) in accordance with the Mining Concession Rules and supporting laws and regulations. In addition to the established Balochistan Provincial Government structure there is a familial/tribal structure that plays an important and dynamic role in the implementation and oversight of sector operations. While direct engagement of families and tribes in Balochistan is considered important in developing the provinces resources, Government is committed to working with all families, tribes and investors to ensure that royalty and other financial payments benefit the province and that environment, workers and communities are protected.

### **Role for the Army.**

The Pakistan/Balochistan Army work in tandem with BMDD and mine operators to ensure secure mining operations. With the approval of the BMDD and written contract, the Army may be engaged to participate in the oversight of mineral operations that may include the collection of royalties. Funding may be provided from this revenue collection to fund Army offices assisting in mine security.

## **ROLE OF GOVERNMENT**

The Government of Balochistan does not anticipate direct investment of budget funds in mine production, but will support ancillary support to ensure that mine investments are viable. This may include provision of electricity, hospital and other local services. Government supports “cluster” arrangements that ensure fully integrated mine operations and support to local mine communities. Government will also assist where possible in the facilitation of downstream market linkages for minerals mined in Balochistan (i.e., coal purchases outside of Balochistan).

## **COMMITMENT TO MODERN MINERAL SECTOR OPERATIONS**

### **Commitment to Mineral Sector Transparency.**

Government supports an overall commitment to transparency in how minerals in Balochistan are developed and will take a series of measures that include:

- Written and published contractual terms between key sector operators including families, tribes, sub-leases and army.
- Regularization of mine inspection and reporting on inspections
- Identification and elimination of conflict of interest issues, i.e., Government officials shall not hold licenses or invest in mining until at least one year after leaving office.
- Defined and published royalty system and overall mineral sector fiscal regime.

### **Mine Ownership.**

This Policy supports private sector mine ownership and investment that may include Pakistan or international corporations, joint ventures, partnerships, sole proprietorships or any other legal structure allowed under Balochistan and Pakistan Mining, Business, Investment and other applicable laws.

### **Minerals Revenue Management Policy.**

BMDD will work with Provincial Government to assess what type of revenue management program may be developed to ensure that revenues generated by mining are available for the province but also that mine communities receive some direct benefit from sector revenues. A formalized program for the monitoring and management of revenues generated from mining and the collection and management of mining revenues may be developed.

## **QUARRYING**

Because mine quarry work is the primary type of mining in Balochistan, as a matter of Policy, more technical, financial and environmental attention shall be given to how quarries are operating. Further,

that the award of licenses for any future quarry operations will follow more modern quarry design and production processes that include use of certain technology, worker training and geologic protection.

## **MINERAL EXPLOITATION**

### **Licensed operations.**

The exploitation or “production” of mineral resources in Balochistan shall be conducted by legally licensed operators that are in compliance with the terms and conditions of their mine license, lease and/or mineral agreement and shall be conducted to optimize the presence of these non-renewable resources. All exploitation activities shall be conducted in accordance with existing geological maps and shall not proceed without legally required permits and certifications issued by the relevant Government authorities that include but are not limited to the BMDD and Balochistan EPA. No exploitation of a mine or quarry shall take place before:

- a. a feasibility study is prepared and approved by the BMDD;
- b. an environmental impact assessment is prepared and approved by the BMDD, environmental protection agency of Balochistan; and
- c. a social management plan and community engagement plan is prepared, consulted on with mine community members and approved by all parties.

### **Monitoring of Leases.**

The BMDD will establish benchmarks for monitoring license and lease activities and publish results of mine investment activities in Balochistan. This will include financial, environmental and non-mining development commitments. Conflicts related to the mine and quarry investments will be tracked and include local conflicts on land, environment, social issues as well as commercial conflicts and company disputes.

### **Illegal Mining.**

This Minerals Policy strictly prohibits illegal mining in Balochistan. Where illegal mining or quarrying is discovered appropriate legal action shall be taken.

## **1. DISPOSITION AND USE OF MINERALS**

### **Sale, transport and processing.**

As a matter of policy, the sale, transport and processing of minerals after they have been exploited from any mine or quarry in Balochistan is solely the responsibility of the agent in possession of the rights to those minerals and may be the mine or quarry operator or its agent, the purchaser of the minerals or a trader/dealer, and shall include any legally required application of royalty payments. BMDD will continue to implement the transport chalan system and monitor its results which to date have been successful.

### **Disposition of Minerals.**

Government encourages the processing of minerals mined in Balochistan to be conducted in the province and is supporting the construction of new processing facilities (i.e., at Khozdar<sup>26</sup>). The commercial use of Balochistan stones and minerals is encouraged for sale in the domestic and export markets that may include industry, energy, construction and ornamental uses.

## **ARTISANAL MINING**

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<sup>26</sup> Approximately 300km from Karachi and 450km from Gwadar.



As a matter of policy, artisanal mining shall be formalized as a part of the Balochistan mining sector and encouraged in the province. Government will work with artisanal mine operators to improve the legal and financial framework in which these artisanal operations are conducted. Where possible, BMDD will facilitate artisanal miner partnerships with larger operators (i.e., gold). These artisanal mines will be subject to the licensing, reporting and inspectorate requirements provided for by mineral laws and regulations. Environmental and social safeguards apply as do legal requirements for the payment of taxes and applicable royalties.

## **TECHNICAL OPERATIONS OF MINES AND QUARRIES**

### **Mine Plans.**

In accordance with Mining Regulations, each mine shall prepare and provide the MMDD and the relevant Environmental Agency in Balochistan with a Mine Development Plan, Mine Closure Plan, Health and Safety Plan and Environmental Impact and Social Assessment relevant to mine operations during the license/lease term.

- a. The BMDD Cadastre shall maintain a cadastral map on which all licensed/leased mines and quarries shall be identified and mine designs reviewed for modification and/or approval.
- b. The content of these plans will follow a format to be prepared by the BMDD in collaboration with the appropriate technical bodies and must be approved by the appropriate authorized agency before mine operations may commence.

### **Clean Technology and Mining Methodologies.**

Where possibly, clean mine technology and methodologies will be used. This includes exploration, exploitation and transport of mine materials.

### **Use of Explosives.**

As a matter of policy, Government and citizens of Balochistan shall support the limited use of dynamite and other explosives that are hazardous to the mineral resources of the province. Explosives shall only be used in accordance with the law; any other use shall be considered to be a criminal act and entitle the BMDD to suspend mine operations.

## FINANCIAL ASPECTS OF MINERAL INVESTMENTS

**Taxes.** All mine and quarry operations in Balochistan are subject to tax payments due under applicable provincial and federal law. No tax exemptions will be made in the award of mine/quarry rights.

**Royalty.** All mine and quarry licenses/lease holders are responsible for the timely payment of royalties. The royalty structure in Balochistan is contract based; Government shall prepare a royalty schedule for publication including royalty rates now in place. BMDD shall work with Government to modify the schedule from time to time. BMDD will develop a clear distinction of “royalty” payments as they are applied to mining, quarrying, security, community, and social aspects.

**Payment of Fees and Penalties.** Fees and penalties relevant to mining in Balochistan shall be detailed in procedures of the relevant Government agencies. Criminal provisions may be reasonably applied where a mine company fails to comply with these procedures.

**Equal Investment opportunities.** Government seeks to provide a fair and balanced fiscal and regulatory regime to protect mineral sector investments and shall apply all laws equally and fairly to all similarly situated registered companies whether they have foreign ownership or not. Government ensures security of tenure, management and ownership control for all mine companies operating in accordance with the laws of Balochistan.

## INVESTMENT PROMOTION AND FACILITATION

**Foreign Investment is encouraged.** As a matter of policy, the Government of Balochistan seeks both domestic and foreign investment in its mining sector. In order to ensure clarity of operating terms, BMDD shall prepare a “Model Minerals Agreement” that will be used as a foundation from which all foreign mineral investments in Balochistan will be developed.

### **Balochistan collaboration with Federal Government to facilitate foreign investment.**

Government recognizes that complications may be expected as foreign investment in mining enters Pakistan in which case some federal oversight relative to investment and finance matters will be required. The Government of Balochistan will coordinate policy and legal development with the Federal Government where required to ensure clear mineral operations where foreign investment is involved.

**Repatriation of profits and capital** for foreign investors in Balochistan minerals shall be guided by the laws of Pakistan.

**Expropriation.** The Government of Balochistan shall not expropriate the mineral rights of any investor except in accordance with the laws of Pakistan.

## REVENUE MANAGEMENT

The Government of Balochistan is committed to managing revenue generated from mineral activities in the province to be transparent and to benefit the people of Balochistan. Government will develop a revenue management program that will:

- a. clearly explain what revenue are and should be generated from mineral operations (mines and quarries);
- b. how those revenues are collected and allocated;
- c. conduct a monthly, quarterly and annual evaluation of how revenue generation, collection and allocation may be improved;
- d. set out a “revenue management program” that ensures that a defined percentage of the mineral revenues goes directly back to mining communities (i.e., in the form of improved infrastructure, social, health and educational services); and

- e. ensures that a defined percentage of the revenues generated by mines/quarries will be deposited into a long-term treasury account for future generations.

## ENVIRONMENTAL MANAGEMENT

**Approved Mining Areas.** Mining and quarrying operations in Balochistan are taking a negative toll on the provincial environment and threaten to reduce opportunities for good mining and to pollute land and water resources. As a matter of policy, the Government of Balochistan will,

- a. Identify ecologically fragile and/or biologically rich eco-systems as areas that are “closed” to mining/quarrying; and
- b. Not approve any mine or quarry license/lease without approval of a thorough environment impact and social assessment (EISA) accompanied by a time-bound detailed Environmental Management Plan (EMP).

**Mine Closure Plan.** As part of every Mine Plan a Mine Closure Plan and timeline shall be included. The Mine Closure plan and implementation shall restore ecology and regenerate bio mass as well as consider and address the social impacts of mine closure. BMDD will work with the relevant Government authorities to establish “escrow funds” for performance of environmental, social and other obligations.

## MINE/QUARRY WORKER PROTECTION AND SOCIAL IMPACTS

**Mine/Quarry Worker Protection.** Mine and quarry workers throughout Balochistan are not adequately protected. BMDD will work with mine and quarry operators to ensure that workers are sufficiently equipped, housed, fed, paid, work reasonable hours, and have qualified training on best mine and quarry practices.

- a. BMDD will develop rules for violations and enforcement to ensure that both operators and workers perform their functions in a safe and responsible manner.
- b. BMDD shall require that all mine/quarry operators supply all its workers with health and safety gear as required by the Inspectorate and that they maintain appropriate worker health facilities at the mine site and can reasonably transport injured workers to a nearby medical facility in a timely fashion.
- c. The Government of Balochistan encourages mine and quarry operators to register their workers under the State Social System (UBI) and to make social payments on their behalf under the law.

**Social Impacts and Mitigation Measures.** No Mine Plan shall be approved absent a thorough social impact assessment and social mitigation plan to be submitted by the mine/quarry operator to the BMDD for review/approval. Where communities located in mine areas are or may reasonably be expected to be negatively impacted by mine development, detailed social impact assessments of impacts and mitigation measures must be provided to the BMDD and other relevant Government agencies for review and approval.

**Child labor.** Child labor shall not be tolerated and any mine or quarry operator using child labor shall be at risk of termination of its lease/license by the BMDD.

## PUBLIC CONSULTATION AND COMMUNITY ENGAGEMENT

**Public Consultation.** Active participation and consultation with the impacted community (ies), families, tribes, and other key stakeholders shall be undertaken by the BMDD and upon issuance of the license/lease, the mine company or mine/quarry operator. Where necessary, resettlement, rehabilitation and compensation actions shall be agreed upon with the Mine Community, Mine Company and the BMDD.

**Disclosure.** BMDD shall develop mechanisms to regularly consult and exchange information with stakeholders, and to address concerns and grievances. BMDD and relevant Government agencies will ensure that its procedures, guidelines and information are freely available that will include but not be limited to licensing procedures, fee and penalty structures, royalty, tax and other fiscal parameters. BMDD shall establish a publicly accessible information system to the Cadastre and mine/quarry license/lease information.

**Community Engagement.** As part of its policy to ensure that citizens of Balochistan directly benefit from mineral development in the province, the BMDD will continue to work with Mine operators and communities, families and tribes to develop clear financial and development commitments. These commitments may include mine company obligations to build infrastructure, Government's commitment to improve roads and schools and/or community member commitment to improve skills that may be used in mine work.

- a. Community Development Agreement. Each community will have different needs and requirements that may be summarized in a "Community Development Agreement" that should be published and available for public review. Government will also identify best approaches to conflict resolution of related local matters, i.e. land access/use, environment, social impacts and mitigation measures.
- b. Community meetings. BMDD shall conduct at least quarterly meetings with mine and quarry communities to identify issues, address concerns and continue to improve how minerals are developed and how citizens may benefit from minerals in Balochistan.

## **MINE/QUARRY-RELATED DEVELOPMENT**

**Infrastructure Linkages.** Government is committed to improved infrastructure development in mine regions and linking that infrastructure throughout the province for improved provincial quality of life that will contribute to overall economic development.

**Community Development.** The BMDD will collaborate with mine communities, mine and mine-related companies to facilitate local linkages between upstream and downstream mining activities. Government encourages the establishment of long-term business relationships between suppliers and consumers that may safeguard employment, supply and prices for various mine products.

## **EXPORT OF MINERALS AND MINERAL PRODUCTS**

Government encourages free and open export of minerals from Balochistan in their raw and/or processed form to traditional and new domestic and foreign markets.

## **IMPORT OF MINERALS AND MINING MATERIALS**

This Policy does not preclude the importation of mining equipment, machinery, supplies or raw mine materials but encourages that these imports will improve mine efficiency, safety and productivity of mines in Balochistan.

## **MINE SECURITY**

BMDD will continue to work with the Pakistan/Balochistan Army to identify cost-effective ways to ensure mine and quarry security.

## **SUPPORT OF THE DEVELOPMENT OF THE BALOCHISTAN MINERAL SECTOR**

### **Institutional Collaboration**

Although mining is constitutionally a provincial topic there are federal functions – especially relevant for large-scale mining - some federal institutional functions will emerge. As a matter of policy, the Government of Balochistan is committed to strengthening coordination amongst it and these Federal institutions to improve mineral sector benefits<sup>27</sup>, i.e.:

- a. Ministry of Petroleum and Natural Resources– oil and natural gas
- b. Board of Investment (BOI) – notably relevant with large and foreign investments
- c. Ministry of Finance (Federal Board of Revenue, Tax and Custom Authorities)
- d. Planning Commission of Pakistan – especially when integration of infrastructure, water and mining/quarrying results
- e. Ministry of Labor and Manpower
- f. Ministry of Law
- g. Water and Power Development Authority (WAPDA)

### **Preparation of Balochistan Minerals Sector Strategy and Mining Act**

- a. Minerals Sector Strategy. This Policy supports the development of a five-year Minerals Sector Development Strategy for Balochistan that will consider existing and proposed mineral developments in the province with the aim of creating jobs and economic development for the province. It will address related infrastructure and community development projects,

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<sup>27</sup> Note: An issue of Article 173.3 of the Constitution in light of the 18<sup>th</sup> amendment says that oil and natural gas is a concurrent item – to be jointly managed by federal and provincial government – BMDD seeks to improve management of this. Investors will similarly need to understand this relationship.

approaches to attracting long-term investment and clarify institutional roles and responsibilities for minerals in Balochistan.

- b. Mining Act of Balochistan. This Act that will set out the legal authority of sector institutions, describe processes in support of the Concession Rules for the award of mineral rights, list obligations of license/lease holders including social and environmental requirements, and other legal aspects. Regulatory drafting will be vigorously supported to provide clear and definite guidance for Government, investors and the citizens of Balochistan relevant to mineral development.

**Conflict and Dispute Resolution.** BMDD will work with mine communities, investors and civil society through consultations to identify opportunities for improved dispute and conflict resolution on matters including use and access to land, community benefits, job opportunities, security, and more.

**Research and Development.** This Policy supports the systematic collection and analysis of geological data relevant to mining in Balochistan including improved analytical, research and development capacity in partnership with local academic and technical institutes and where useful, with other provinces. The BMDD will work with investors to ensure collection and safeguarding of geo-science data.

## **DEVELOPMENT OF BALOCHISTAN MINERALS SECTOR CAPACITY**

### **Strengthened Capacity of Balochistan Mines Development Department.**

In order for the Minerals Sector of Balochistan to provide optimal economic, social and overall benefit to the people of the province, a strong and technically capable BMDD at all office levels must be in place. BMDD enhanced capacity in financial modeling, technical aspects of mine design, investment promotion, cadastral mapping, inspectorate functions, strategic planning and critical regulatory and policy-making skills will be supported.

**Worker Training.** As BMDD completes the new Balochistan Mining Complex, attention shall be given to improved worker skills, access to information and mine and quarry design. Where possible Government and mine authorities will develop international partnerships that support training and other development opportunities both in Pakistan and abroad for upstream and downstream employment.

**Young Professionals.** This Policy encourages government and educational authorities in Balochistan to provide fiscal and other resources for the development of educational and training services that target the technical and commercial aspects of mineral sector development. Where possible, existing academic and training institutions may enhance their programs to suit specific mine sector development while in other cases, stand-alone educational and training facilities will be required. The Government of Balochistan will work with BMDD to identify federal, provincial and international educational, internship and training programs that would suit these purposes.

**Judicial and legal review capacity.** This Policy encourages awareness building and the development of processes that will systemize the way in which mineral conflicts and commercial mine contract issues are addressed. Conflict that may arise for which this capacity is essential includes worker grievances, community conflict with mine companies, company dispute with Government and more; Government supports active and peaceful resolution of such conflicts.

## **ACTIONS TO BE TAKEN TO IMPLEMENT THIS BALOCHISTAN MINERALS POLICY**

In order to ensure timely and practical implementation of the Balochistan Minerals Policy, BMDD will take the following actions:

- Conduct consultations with key stakeholders to finalize and publish this Minerals Policy in order to promote awareness building amongst the population of Balochistan.

- Develop a “Policy Action Plan” in which specific actions will be identified and timelines for performance of those actions.
- Prepare a “Revenue management program” for the Balochistan Minerals Sector.
- Strengthen the BMDD, Provincial Environmental Department and other relevant provincial Government agencies with respect to minerals and the development of mines.
- Increase inter-provincial communications on mining including Balochistan’s participation in the Minerals Working Group (MWG).

### **EFFECTIVENESS OF THE BALOCHISTAN MINERALS POLICY**

This Balochistan Minerals Policy is effective as of its date of publication in the Official Gazette and is deemed to be the foundation document on which the Balochistan Minerals Sector will operate and from which relevant legal and regulatory acts and other supporting policies may be developed.

### 4.3 Balochistan Minerals Policy Action Matrix

Table 5 Mineral Policy Action Plan

Policy Issue	Policy Action	Responsible Agent	Timeline
<b>Guiding Policy for Mineral Sector</b>			
Finalization of Balochistan Minerals Policy	<p>Internal BMDD consultation to confirm and agree on mineral policy priorities</p> <p>Development of clear policy issues relevant to “upstream” (exploration and exploitation) and “downstream” (processing, transformation, trade, export) aspects of mineral development</p> <p>BMDD and relevant Government agencies meet/consultation to confirm and agree on policy priorities</p> <p>Consultation with key stakeholders (CSOs, trade unions, worker associations, mine communities, mine owners association)</p>	BMDD as lead agency	June 2014
Publication of Balochistan Minerals Policy	<p>Summary of key policy priorities in district, provincial, national and international journals</p> <p>Publication of policy priorities in newsletters and dissemination to Pakistan media</p> <p>Dissemination of policy to mine operators, government leaders</p>	BMDD	June 2014
Policy monitoring and review	Regular consultation with key stakeholders and review (i.e., annual) of Mineral Policy; consideration of modifications	BMDD	Annual
<b>Distinction of Types of Mining</b>			
Distinct/specific rules for mine types (i.e., coal) and for quarries	<p>Development of clear rules for investments in mines and investments in quarries, i.e., definition of mine, quarry, types of preferred technologies, use of explosives, worker safety, mine/quarry design</p> <p>Development of focused inspectorate requirements and timetables for inspection of quarry operations in Balochistan</p> <p>Preparation of “mine terms” and “quarry terms”</p>	BMDD	June 2014
Clarified licensing	Assessment of types of licenses that would improve and clarify obligations of operators and government (i.e, specific quarry license, retention license)	BMDD with Provincial	December 2014



		Government	
Increased attention to regulating downstream operations	Assessment of downstream licensing improvements that may be useful (i.e., transport license, dealers license)	BMDD and relevant provincial agencies, private sector	May commence
<b>Market-oriented Mineral Sector</b>			
Reduced mineral market entry barriers	Identify barriers and whether they can or need to be reduced/removed (i.e., historic family and tribal relations) Requirement of regularized reporting and audit controls. Government will ensure surety of tenure and enforceable license terms for all legitimate mine operators and investors. This will mean enhanced BMDD capacity and other supporting institutions. Contracts/dispute resolution	Consultation led by BMDD with tribal/family leaders, private sector	May commence
<b>3.a Legal Aspects</b>			
Legal Strengthening	Preparation of Balochistan Mining Act (i.e., obtain comparative legal experience on critical mining issues) Preparation of Model Mineral Development Agreement Legal and regulatory drafting curriculum development/training developed for local academic institutions Establish Mineral Legal Drafting Committees (i.e., coal, minerals) as formal mechanism to prioritize legal and regulatory drafting, review process, public hearings. Awareness building for judges and commercial court personnel on mineral contracts and likely conflicts.	BMDD in collaboration with educational agencies/institutes	May commence
Updated Concession Rules/Modern Legal Guidance for Award of Mineral Rights	Review of international "best practices" for award of mineral rights Development of award criteria to include industrial and economic linkages. Develop regulatory preference for investors linking mining operations with integrated industrial and other development activities (i.e., power generation, production, processing). Develop regulatory preference for investors' award of license to training and capacity building of citizens.	BMDD with consultants	Review-March 2014  Updated Concession Rules – Dec 2014
Regulatory drafting	Preparation of clear regulatory guidelines for: (examples) Government-company participation and obligations in mineral contracts.	BMDD	Establish 2 year Regulatory Drafting

	<p>Community relations, corporate social responsibility.</p> <p>Health and Safety regulations including penalties and enforcement.</p> <p>Prepare regulatory guidelines for downstream activities relevant to mining (processing, cutting, washing).</p> <p>Detailed environmental regulations (i.e., emergency plans, mine closing requirements, equipment standards)</p>	<p>Environmental Protection Ag.</p> <p>Relevant Gov't agencies</p> <p>Expert consultants</p>	<p>program</p>
Reorientation of Provincial Institutions	Regulatory and policy-making roles relevant to key topics (1) mining; (2) environment; (3) social; (4) land; (5) labor; (6) foreign investment must all be very clear and predictable; BMDD can prepare "Terms of Reference" based on international best practice for institutional roles	BMDD lead with Government	Process "kicks off" November 2013
<b>3.b Institutional</b>			
Strengthened BMDD	As the key leader of sector operations, development of 2 year reform program that will include (1) capacity building; (2) equipment improvements; (3) implementing policy actions proposed herein	<p>BMDD</p> <p>Expert consultants</p>	Plan developed by March 2014
Improved provincial and federal and district linkages	<p>Instigation of provincial-federal minerals panel</p> <p>Balochistan active participation in the Minerals Working Group Working with current foreign investors to identify key federal-provincial issues relevant to mineral licenses/leases</p> <p>Preparation of clear policy/strategy on Balochistan-federal mineral relations, i.e., meetings, coordination, fiscal incentives, foreign investment</p> <p>Review of how Balochistan Geological Survey and Geological Survey of Pakistan may improve information sharing and technical survey work</p> <p>Facilitation of environmental, social and investment linkages between Balochistan government agencies and counterpart federal agencies to ensure optimal development and attention on Balochistan minerals</p>	BMDD as lead agency working with provincial financial agencies and federal Government	May commence
<b>3.c Capacity</b>			
Strengthened sector capacity	<p>Short term, targeted training to build specific understanding of mining in BALOCHISTAN</p> <p>Course work (possibly online programs) to provide international experience</p> <p>Development of "international best practices" in different aspects of mining for dissemination throughout Government agencies</p>	<p>BMDD</p> <p>Government</p> <p>Relevant agencies</p>	May commence immediately

	Young professional training, internships Development of university curriculum on key mining issues including technical, financial, commercial and legal	Academic and vocational institutions	
Geo-Science Data	Development of Geo-science Data policies that address (1) handling of data; (2) confidentiality of certain data; (3) data access for public, investors, students Preparation of list of “strategic minerals” and applicable conditions for licensing	BMDD Geological survey Government	May commence
<b>Increased attention to environment and social aspects of mining</b>			
<b>4.a Worker Issues</b>			
Improved Mine Worker Protection	Immediate identification of worker issues Facilitation of labor-management relations and publication of grievances Establishment of credible grievance system Instigation of worker safety and training program Enforcement that mine operators provide standard social benefits, register workers in national system	BMDD Provincial labor and social agencies	May commence
Improved mine worker skills	Preparation of “user-friendly” quarrying and mining “best practices” information (brochures, graphics) Quetta and mine based skills upgrading programs Skills training programs at educational institutions Upgrading vocational training in Balochistan	BMDD working with mine operators, educational institutes	Skills development program drafted by March 2014
Improved worker safety	Purchase of health and safety equipment for lease/grant to quarry and mine operations Enhanced inspectorate training Purchase and dissemination of equipment and safety tools (i.e., reflective tape, gas detectors, etc.)	BMDD- Inspectorate	Program and funding prepared by June 2014
<b>4.b Legal and Regulatory Issues</b>			
Mineral Resource	Immediate determination of certain mine/quarry operations that are so detrimental as	BMDD with Provincial	May immediately

Conservation program	a matter of policy that they should be halted Immediate determination of mines or mine areas or certain mineral resources that should not at this time be mined and instead marked as part of the "Balochistan Mineral Resource Conservation Program".	Environment Agency	commence
Use of international standard tools	Introduction of Environmental Screening Reports as a requirement to be considered for a license/lease Introduction of Environmental Impact Assessment and Environmental Management Plan as a requirement for a license/lease	BMDD with Provincial Environment Agency	Draft by December 2014
Mine Security	Assessment of security issues relevant to mines and related infrastructure Development of strategy to address security issues Identification of funding to support necessary security measures	BMDD with BALOCHISTAN Security Agency	Assessment Feb 2014  Strategy June 2014
Land access and use	Preparation of clear rules/regulations on land access ("right of way") and payments required for same land compensation ("surface rent") and system for payments	BMDD with provincial Land Agency	Dec 2014
<b>4.c Mine Community Issues</b>			
Compensation	Development of clear and predictable rules for resettlement due to mining or mine related development agricultural compensation land use, access rights	BMDD with provincial Social Protection and Land agencies	Dec 2014
Conflict resolution	Assessment of conflict issues at mine sites, in mine communities, in Balochistan and between Balochistan and federal level Review of international "best practices" in conflict resolution on mining issues Review of what conflict resolution mechanisms are presently in place to address conflicts on social, environmental, land, worker, commercial and other disputes Development of conflict resolution approaches that meet local needs	BMDD with consultants, relevant provincial agencies	Dec 2014
Ensuring communities actively participate in mining development	Requirement that all mines must contribute to community development; consultative process to determine structure of contribution (contribution may be financial, construction, etc.) Preparation of model "Community Development Agreement" for use by mine operator,	BMDD	Immediate

	local community and BMDD Establishment of “Local Oversight Committees” at local level to regularly meet with mine operators and BMDD and discuss mining at the local level Regularization of “Tribal-BMDD Roundtable” to discuss mineral development in certain regions		
<b>5. Financial Modeling</b>			
<b>5.1 Modeling</b>			
Financial modeling of existing and potential mining investments	Capacity development at BMDD and provincial finance staff on mine finance, financial modeling Curriculum development for students on financial modeling Assessment of fiscal inputs and project structure options for mine investments in Balochistan	BMDD with provincial finance agencies, academic institutions, private firms	May commence
<b>5.2 Financial Governance</b>			
Accountability of Mines	Development of “Mineral Revenue Management Program” Quarterly meeting of mine operators (by category) with BMDD, EPA and Finance Agency to review revenue rules, issues, recommendations	Provincial Finance Agency	June 2014
Fiscal regime	Introduction of international accounting systems, independent audit of mining revenues Establish system to tracking financial operations of mines (i.e., regularity of royalty payments, tax payments, customs)	BMDD working with Finance Agency	Commence review; initial assessment by April 2014
Transparency	Review of measures that may be taken to reduce opportunities for corrupt practices, for example: Government officials may not hold mineral rights while holding office and not for one year after leaving office	BMDD working with Government	Immediately
Allocation of Mineral Revenues	Development of clear mechanism through which mine communities will receive some financial or development gain from mining in their communities (beyond job creation); this could be in the form of revenue to the local budget, improvements in infrastructure, social services, etc.	Finance Agency	June 2014
<b>Promotion and Facilitation of Investment</b>			
Identification of private	Upstream and downstream opportunities may be identified and quantified for investors	BMDD	Immediate

investment opportunities	Preparation of "investor packages" to sound out market interest Identify legal gaps, institutional arrangements		
Draft Model Mineral Agreement	Based on comparative international models, a model template may be developed	BMDD Federal counterpart	Hire advisors by March 2014 Draft by June 2014
Draft international mineral tender process	Sharing of information with Sindh (Thar Coal) and Punjab (Rajiot Iron Ore) to gain insights into international tender processes (lessons learned) Identification of any potential international tender to be conducted in next three years Development of primary tender issues, information memorandum	BMDD	May commence
<b>Integrated Infrastructure Development</b>			
Integrate and optimize related infrastructure developments	Government seeks to develop Balochistan's mineral resources in a manner that will such as power generation and supply, roads and rail, and support services. Government encourages the use of public-private partnerships to construct infrastructure that will support mine operations as well as broader provincial development objectives.	BMDD working with relevant provincial agencies	May commence
Planned provincial development	Mapping of mine locations in operation and potential mines and provincial infrastructure in place, required Increased integration of mining as part of provincial economic planning	BMDD with Balochistan Economic Planning Agency	June 2014 draft
Regularized consultation on provincial development and mining	Establish "Mine Infrastructure and Industry Commission" as oversight planning body, to prepare guidelines, ensure environmental and social compliance, integration	BMDD with Balochistan Industry Agency and Industrialists Associations	October 2013 first meeting
Linking Balochistan Minerals with viable transport	Assessment of core mining regions in Balochistan and transport infrastructure, i.e., roads, rail, truck fleets, animals Development of mineral transport strategy based on findings of assessment Integration of transport as part of Balochistan economic development	BMDD with Balochistan Transport Agency, private transport businesses	Dec 2013
Promoting linkages with artisanal and larger mining	Draft regulations to support artisanal operations as "overlapping" on larger mines (with larger mine written permission) and promoting technical transfer, sharing facilities	BMDD	Immediate

<p>Enhancing downstream market in Balochistan</p>	<p>Assess existing downstream businesses that support Balochistan, their constraints and requirements to improve</p> <p>Assess opportunities for downstream mining business in Balochistan and possible constraints</p>	<p>BMDD outsource consultant</p>	<p>Immediate</p>
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## 4.4 Balochistan Minerals Policy Power Point Presentation

**Balochistan Minerals Policy  
and  
Strategy for Implementation**

September 16, 2013  
Balochistan Mines Development Department (BMDD)

1

Strategy for the implementation of the Minerals Policy

**Background**

- Balochistan is host to vast mining resources that include dimension stone, precious stones, metallic minerals, oil, gas, coal, and salt.
- Geo-science data indicates that considerably more development is economically and technically possible.
- Development of Balochistan mining has potential to significantly contribute to the province's GDP, create direct and indirect employment, provide fuel.

2



Strategy for the implementation of the Minerals Policy

### **Current Mining Context in Balochistan**

- Primarily artisanal/small-scale
- Coal, Marble /granite operations dominate the market
- Two large-scale foreign investments (Reko Diq, Saindak) and one large coal investment (Chamalang)
- Infrastructure constraints prevent large development: power, transport facilities
- Professional, commercial and vocational skills needed for mining lacking amongst citizens

3

Strategy for the implementation of the Minerals Policy

### **Minerals Policy: OBJECTIVE**

- *To provide clear description* of priorities and practices supported by the Balochistan Government to develop minerals.
- *Identify actions* to facilitate investment, build institutional capacity, safeguard Balochistan's mineral resources and evolve to improve the quality of life of residents.

4

Strategy for the implementation of the Minerals Policy

**Minerals Policy: TOPIC AREAS**

- ***Upstream activities*** (mine development, production, transport from mine)
- Downstream activities (not fully covered here)

5

Strategy for the implementation of the Minerals Policy

**Minerals Policy: GOAL**

To facilitate and support a minerals sector that is predictable for investors, positively impacts Balochistan citizens, safeguards workers and environment, and has lasting return for the province and the country.

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Strategy for the implementation of the Minerals Policy

### **Minerals Policy: RATIONALE**

- ✓ **Comprehensive approach to sector development to find balance for development and include domestic industrialization as well as support export markets.**
- ✓ **Linking minerals development with economic growth and development for today and generations to follow.**
- ✓ **Large generation of revenue in these early years is not as important as ensuring that the sector can perform well for decades to come.**

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Strategy for the implementation of the Minerals Policy

### **Minerals Policy: ISSUES**

- *Need clear regulatory guidance on monitoring of mining operations, environmental and social aspects*
- *Improved institutional clarity and oversight of revenues*
- *Strengthened BMDD and Government capacity*
- *Introduction of modern mining techniques and improved technical “know how” to reduce waste of mineral resources.*
- *Conflict resolution for all stakeholders and worker grievances*
- *Attraction of legitimate and technically qualified investment that may include foreign investment*
- *Improved linkages of mining to infrastructure development and improving value-chains and value-added benefits*

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Strategy for the implementation of the Minerals Policy

**Minerals Policy: BASIC FEATURES**

1. This is **THE** Guiding Policy
2. Distinction of Types of Mining
3. Market-oriented Mineral Sector
4. Increased attention to environment and social aspects of mining
5. Revenue management
6. Facilitation of Foreign Investment
7. Integrated Infrastructure Development

Strategy for the implementation of the Minerals Policy

**Institutional Arrangements**

- **Government** – key policy maker and regulatory oversight.
- **Civil Society** – participants in development, watchdog function.
- **Private Sector** – financing, implementation of sector operations.

*Clear definition of the roles and responsibilities of these stakeholders and monitoring their interactions will critically impact the course of mineral development in Balochistan*

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Strategy for the implementation of the Minerals Policy

### **Institutional Arrangements**

**BMDD** is the *lead* Government agency responsible for the implementation and monitoring of mineral resources development including implementing the Minerals Policy.

- Some restructuring of BMDD may be required
- Critical BMDD roles include:
  - Geological Survey – collection and maintenance of data
  - Cadastre – licensing regime
  - Inspectorate – health & safety of operations
- Other roles include linkages on environment, social, community

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Strategy for the implementation of the Minerals Policy

### **Cross-cutting Issues relevant to Minerals Policy**

Economic Impact	Fiscal Impact
Land	Infrastructure
Energy and Industry	Regional Linkages
Social Impact	Land and Compensation
Livelihoods	Community Relations/Culture
Health and Environment	Capacity, Education and Skills

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Strategy for the implementation of the Minerals Policy

## Strategic Actions to Implement the Policy

***See DRAFT Policy Action matrix***

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Strategy for the implementation of the Minerals Policy

## Financing Actions to Implement the Policy

- **Mine and Infrastructure Assessments/Developments**-donor assessments; private investment; PPP where economic
- **Legal and Regulatory Development**-line ministry budgets, donor support
- **Mine Community Support** - Government budget, mine companies
- **Environmental and Social Mitigation Measures** – mine companies, Government/donor support
- **Education, Skills Training and Capacity Building**- Government, donor support, private partners
- **Private and Government-owned Mine Companies** - different financing methodologies to be considered

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Strategy for the implementation of the Minerals Policy

### **Funding Mechanisms to Implement the Policy**

- Revolving loan funds
- Dedicated infrastructure support fund
- Educational scholarships, grants
- Civil society grants
- Business loans at favorable interest rate
- Business centers
- Mine companies
- Sister-company, Government institutions,
- Educational partnerships
- Public-private partnerships

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Strategy for the implementation of the Minerals Policy

### **Monitoring and Evaluation of Policy Actions**

1. Improved license and contract reporting
2. Enhanced mine community participation
3. Enhanced and new institutional mechanisms
  - Environmental Review
  - Inter-agency Commission
  - Legal and Regulatory Revision Committee
  - Labor and Management Relations Board
4. Enhanced Public Information

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Strategy for the implementation of the Minerals Policy

**Balochistan Mines Development Department**

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## 4.5 Khyber Pakhtunkhwa Minerals Policy Statement 2013

### Khyber Pakhtunkhwa (KP)<sup>28</sup> Minerals Policy Statement 2013

The Government of Khyber Pakhtunkhwa (KP) seeks to optimize economic growth potential of the province with increased focus on its minerals sector. KP is host to vast mineral resources that include dimension stone, precious stones, metallic minerals, coal, and salt. While these resources have to some extent been developed, geo-science data indicates that considerably more development is economically viable and technically possible. Development of KP mining has the potential to significantly contribute to the province's gross domestic product (GDP), create direct and indirect employment while providing fuel for industry and power generation, materials for industry and construction, for both domestic and export markets.

#### Khyber Pakhtunkhwa Minerals Sector Vision

To establish Khyber Pakhtunkhwa (KP) as a preferred mining destination for domestic and international investors that positions mining in KP as a fundamental driver for economic and social development in the province and country.

#### Mission Statement

To ensure that the development of KP minerals is done in a socially and environmentally responsible way that will achieve financial return, economic growth and improved quality of life through reinvigorated institutional and regulatory arrangements, construction of new infrastructure, job creation, and skills and education development, that unifies provincial residents.

#### Main Objectives of the KP Minerals Policy

1. To strengthen Government capacity and coordination to implement a modern mining regime in support of clear mining, environmental, water, land and other rights and responsibilities.
2. Introduction of modern mining techniques and improved technical "know how" to reduce waste of mineral resources.
3. Enhanced mineral revenue generation and allocation to ensure community engagement and receipt of benefits of mining.
4. Resolution of land access and land use permits and compensation relevant to mining and related activities.
5. Establishment of credible conflict resolution mechanisms that are accessible for all stakeholders and grievance mechanisms for mineral sector workers.
6. Attraction of legitimate and technically qualified investment that may include large-scale mining and foreign investment.
7. To develop KP minerals in an integrated way that will improve the quality of life of KP community residents, protect the environment, and manage mineral revenues for near-and long-term benefit.
8. To build educational and skills-building opportunities that results in a professionally qualified workforce at all levels of mining.

#### Key Strategic Areas of KP Minerals Policy 2013

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<sup>28</sup> Font used based on template provided by FIRMS.

**Development of a modern minerals market**

- a. The KP Government recognizes that in order to optimize its mineral resources, the frameworks on which minerals are developed should reflect modern global industry practices that will create jobs for KP citizens, generate revenues for the province and protect the environment for generations to come.
- b. Geo-science data and Mapping of KP geological resources will play a more prominent role in sector development including the identification of “preferred mining areas” for targeted development; Government will support MDD in field activities to conduct GIS and mapping work.
- c. Government will work with relevant departments to revise and update regulations and rules on investment requirements, license/lease rights and obligations.
- d. Diversity in mine and related investment will be sought based on best qualifications and investor willingness to interact with community development for long-term operations.
- e. The KP Government, led by MDD will review the royalty and payment schemes now in effect in the sector and identify areas where the royalty regime may be more clear, predictable and in accordance with “best practices” of other mineral markets.

## 1. Market-oriented Mineral Sector

- a. Government seeks market-oriented mineral operations that may include private and state operations; where state is a shareholder in operations, that holding shall be corporatized and not rely on budget funding.
- b. Ownership of all mining resources located on or within the territory of Khyber Pakhtunkhwa remains in the jurisdiction of the Government of Khyber Pakhtunkhwa and license rights and renewal may be awarded by the Minerals Development Department (MDD) in accordance with the Concession Rules and supporting laws and regulations.
- c. Through modification and updating of the mineral legal and regulatory framework, Government will ensure surety of tenure and enforceable license terms for all legitimate mine operators and investors. All sector investors must abide by corporate social responsibility norms and good governance.
- d. The KP Government will develop a “Minerals Revenue Management” program that will track revenues generated from mining and how those revenues are allocated to benefit KP citizens.
- e. Commercial mining operations will be supported by regularized reporting, audit controls and accounting standards that in time shall be modified to meet international accounting standards (IAS). All large scale investments shall be required to use international accounting standards.
- f. As part of all min investments, Government will require local content in the form of jobs for local citizens and where possible, procurement of local goods and services.

## 2. Institutional and Regulatory Reform

- a. The KP government will support MDD in the revision and updating of the legal and regulatory framework including:
  - i. Adoption of a KP Minerals Act
  - ii. Assessment of the value of the 1923 and other antiquated legal acts; whether they should be repealed or modified.
  - iii. Amendment of the Mining Concession Rules
- b. Government will assess its current licensing and leasing framework including how mine sizes are defined (i.e., small, large) and the introduction of additional license types (i.e., artisanal), rights and obligations of licenses to include more social and environmental standards.
- c. Government will regularize an inter-departmental mechanism (i.e., Mining Committee) to actively assess the different department roles in mineral development, harmonize rules, and promote transparency amongst all segments of the sector.
- d. Assessment of district, village and mine level institutional needs to support improved social and environmental protection, safeguard workers, and promote information exchange will be conducted to promote stakeholder participation closer to the actual mining sites.
- e. Financing of institutional requirements such as computers, communication equipment, testing equipment, laboratories will be included as part of the KP Government budgeting to ensure that institutions are technically equipped to implement their mandates.

## 3. Integrated Infrastructure and Value Chain Development

- a. The KP Government will coordinate the work of various departments to develop KP mineral resources in a manner that will integrate and optimize related infrastructure developments such as power generation and supply, roads and rail, and support services.

- b. Where possible, Government will contribute to infrastructure planning and development; public-private partnerships will be encouraged to construct infrastructure that will support mine operations as well as broader provincial development objectives.
- c. Government distinguishes between “upstream” (exploration and exploitation) and “downstream” (processing, transformation, trade, export) aspects of mineral development and will broaden the institutional governance of these sector aspects to include MDD and other departments.
- d. The KP Government will support planning approaches that emphasize value chain mining, i.e., in addition to mining, that transport, storage, processing and sales aspects of mining are clearly understood and available for KP businesses.

#### **4. Social and Environmental Protection**

- a. The KP Government is committed to implementing the highest standards of social and environmental protection and seeks to develop the province’s mineral resources in a manner that will include conservation measures and require environmental and social safeguards.
- b. The KP Government will work with mine communities and mine operators to identify areas for “community development agreements” through which mine communities may directly benefit from mining occurring in their districts and villages.
- c. Government may determine that certain mine areas will be conserved and not available for licensed operations based on good resource management principles to safeguard the water, soil, and forests of KP.
- d. As part of all mineral operations in KP, at a minimum, an “Environmental Screening” will be required; for medium and larger operations an Environmental Impact Assessment and regular Environmental Management Plan shall be required.
- e. As part of license/leases, Government shall assess mechanisms to require “escrow” payments by operators to be made available for the life of the mine operation should any social or environmental damage occur and require remediation.

#### **5. Capacity Building**

- a. KP Government will develop government training for MDD, the Environment, Industry and other relevant departments on fundamental mining practices in order to build capacity to prepare regulations, mine contracts and to monitor mineral investments.
- b. Government will invigorate curriculum development for local institutes, business associations, artisanal and small-scale miners as well as ongoing “support services” to be provided by MDD offices.
- c. A vibrant Mine Inspectorate training and certification program will be introduced to facilitate improved technological performance, worker health and safety and improved international competitiveness of the KP mineral sector.
- d. The KP government seeks approval of legislation to register geo-scientists and related disciplines through the establishment of prescribed criteria to ensure qualified staffing at MDD and related departments.
- e. The KP Government will actively engage with other provinces in Pakistan similarly engaged in mineral sector reform to leverage “lessons learned” through participation in the Minerals Working Group and other inter-regional mechanisms.

- f. Where possible, Government will facilitate periodic training and overseas' exposure to various mine disciplines including but not limited to senior level management, regulatory development, geology and mineral exploration, GIS, mineral testing, etc.

## 4.6 Khyber Pakhtunkhwa Minerals Policy

### Cover Note

This Khyber Pakhtunkhwa (KP) Minerals Policy has been prepared based on consultations with and information provided by the Minerals Development Department as well as a review of the 2013 National Minerals Policy, the North-West Frontier Province Mining Concession Rules, 2005, the 1948 Mines Act and other laws and literature. Some notes to review/discuss before finalization of this Minerals Policy:

1. *This document is prepared purely as a Policy*; a Policy Action matrix has been prepared in support of this document which provides tangible actions that may be taken to ensure implementation of this policy. Actions may include strategic and legal drafting.
2. A meeting was conducted in Peshawar on September 12, 2013 with the Secretary, DG and officials of the Khyber Pakhtunkhwa (KP) Minerals Development Department (MDD) in which the draft Minerals Policy and supporting Minerals Policy Action matrix prepared by FIRMS were closely reviewed and discussed. This updated Minerals Policy reflects this meeting.
3. *A consultative process on this Minerals Policy is essential* and should include consultation with Government agencies, civil society and private sector to ensure that fundamental topics are addressed and agreed upon.
4. *The emphasis of this Policy is upstream mining aspects* with some mention of downstream but not specific downstream details that would include smelting, marketing, exporting details.

**Khyber Pakhtunkhwa (KP)**  
**Minerals Development Department**  
**Minerals Policy**

1. Khyber Pakhtunkhwa Mineral Sector Context
2. Application of the KP Minerals Policy
3. Objective of the KP Minerals Policy
4. KP Minerals Policy Issues
5. Basic Features of the KP Minerals Policy
6. Legal and Regulatory Framework
7. Key Institutional Players
8. Role of Government
9. Public Private Partnerships
10. Commitment to Transparent Mineral Sector Operations
11. Mineral Prospecting and Exploration
12. Mineral Exploitation
13. Disposition and Use of Minerals
14. Artisanal Mining
15. Technical Operations of Mines
16. Financial Aspects of Mineral Investments
17. Revenue Management
18. Environmental Management
19. Social Impacts and Community Engagement
20. Mine-related Development
21. Health and Safety
22. Export of Minerals and Mineral Products
23. Import of Minerals and Mining Materials
24. Mine Security
25. Support of the Development of the Khyber Pakhtunkhwa Minerals Sector
26. Actions to be taken to implement this Khyber Pakhtunkhwa Minerals Policy
27. Modification of the Khyber Pakhtunkhwa Minerals Policy
28. Effectiveness of the Khyber Pakhtunkhwa Minerals Policy

**Khyber Pakhtunkhwa (KP)**  
**Minerals Development Department**  
**Minerals Policy**

## **1. KHYBER PAKHTUNKHWA MINERAL SECTOR CONTEXT**

**Khyber Pakhtunkhwa (KP)** is host to vast mining resources that include dimension stone, precious stones, metallic minerals, coal, and salt. While these resources have to some extent been developed, geo-science data indicates that considerably more development is economically viable and technically possible. Development of KP mining has the potential to significantly contribute to the province's gross domestic product (GDP), create direct and indirect employment while providing fuel for industry and power generation, materials for industry and construction, for both domestic and export markets.

Ownership of all mining resources located on or within the territory of Khyber Pakhtunkhwa remains in the jurisdiction of the Government of Khyber Pakhtunkhwa and license rights and renewal may be awarded by the Minerals Development Department (MDD) in accordance with the Concession Rules and supporting laws and regulations.

## **2. APPLICATION OF THE KP MINERALS POLICY**

Mineral resources are not renewable; this KP Minerals Policy supports the sound development and improved production of KP mineral resources but also, where necessary, conservation of resources and optimization of mine materials through the use of beneficiation and other technologies.

This Minerals Policy is the first consolidated mining policy for Khyber Pakhtunkhwa (KP); it is applicable to all mining resources in the province. In addition to this Minerals Policy, a series of specific guidelines and sub-sector policies shall provide more detailed policy and operational directions that are supported by the KP Government.

## **3. OBJECTIVE OF THE KP MINERALS POLICY**

The objective of this KP Minerals Policy is to provide a clear description of the priorities and practices supported by the KP Government to develop the mineral resources of KP. Through this Policy and its supporting policies, the KP Government seeks to develop mechanisms and approaches that will facilitate investment, build institutional capacity, safeguard KP's mineral resources and evolve to improve the quality of life of KP community residents, the environment, district, provincial and national economy.

## **4. KP MINERALS POLICY ISSUES**

This Minerals Policy is intended to set out a foundation of policy approaches to critical issues that challenge mineral development in Khyber Pakhtunkhwa. Some of the critical issues include:

- Government capacity and coordination to implement a modern mining regime in support of clear mining, environmental, water, land and other rights and responsibilities.
- Introduction of modern mining techniques and improved technical "know how" to reduce waste of mineral resources.
- Enhanced revenue generation and allocation to ensure community engagement and receipt of benefits of mining.
- Resolution of land access and land use permits and compensation.
- Conflict resolution that is accessible for all stakeholders and grievance mechanisms for mineral sector workers.



- Where feasible, increased large-scale mining.
- Attraction of legitimate and technically qualified investment that may include foreign investment.
- Improving linkages of mining to infrastructure development and improving value-chains and value-added benefits to minerals mined in KP.

## 5. BASIC FEATURES OF THE KP MINERALS POLICY

**5.1 Guiding Policy.** The Khyber Pakhtunkhwa Minerals Policy is intended to provide a general framework and guidelines for the manner in which KP's mineral resources shall be developed. Government distinguishes between "upstream" (exploration and exploitation) and "downstream" (processing, transformation, trade, export) aspects of mineral development. Government seeks to foster development of the KP mineral sector as a foundation for provincial economic development and improved provincial and regional linkages. The KP Minerals Development Department shall be the responsible and lead agency for the implementation of this Minerals Policy.

**5.2 Modern Development of KP Mineral Resources.** Government seeks to develop the province's mineral resources in a manner that reflects the modern global mining industry to be in accordance with international best practices, ensure environmental and social safeguards and financial return for the benefit of KP citizens. It seeks to encourage diversity in investment, technical and other mine development approaches that will depend on a variety of KP, Pakistan, and international experience and skills. Government promotes improved technological performance and improved international competitiveness of the KP mineral sector.

**5.3 Market-oriented Mineral Sector.** Government seeks market-oriented mineral operations that may include private and state operations. All sector investors must abide by corporate social responsibility norms and good governance. Commercial operations will be supported by accounting standards that in time shall be modified to meet international accounting standards (IAS). However all large scale investments shall be required to use international accounting standards and regularized reporting and audit controls. Government will ensure surety of tenure and enforceable license terms for all legitimate mine operators and investors.

**5.4 Integrated Infrastructure Development.** Government seeks to develop KP mineral resources in a manner that will integrate and optimize related infrastructure developments such as power generation and supply, roads and rail, and support services. Government encourages the use of public-private partnerships to construct infrastructure that will support mine operations as well as broader provincial development objectives.

**5.5 Social and Environmental Protection.** Government is committed to implementing the highest standards of social and environmental protection and seeks to develop the province's mineral resources in a manner that will include conservation measures and require environmental and social safeguards. Government may determine that certain mine areas will be conserved and not available for licensed operations.

## 6. LEGAL AND REGULATORY FRAMEWORK

**6.1 Legal Framework.** As a matter of Constitutional authority<sup>29</sup>, mining in Pakistan is a topic of provincial authority; each province including Khyber Pakhtunkhwa maintains its own set of policies, rules and institutional arrangements that, while similar, distinctly reflect the manner in which provincial sector operations are functioning. KP MDD is preparing a KP Minerals Act and

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<sup>29</sup> Constitution of Pakistan, 1973, as amended (Articles 141 and 142) does not include minerals other than oil, gas and nuclear minerals in either the Federal Legislative List or the Concurrent Legislative List (federal and provincial topics). Thus, minerals are a provincial topic.

upgrading Mine Labor Rules. Government is committed to continued support of the development of a more modern and comprehensive legal framework for mining in Khyber Pakhtunkhwa.

**6.2 Federal and Provincial Roles in Mineral Sector.** The Federal Government of Pakistan regards mining as a priority sector and has in cooperation with the Provincial Governments issued an updated 2013 National Minerals Policy (NMP)<sup>30</sup>. The 2013 NMP policy document is comprehensive covering all of the key-aspects for the development of the mining sector, namely (i) objectives, (ii) constitutional position of minerals, (iii) establishment of a regulatory framework, (iv) sector institutional framework, (v) licensing types and conditions, (vi) environmental protection, (vii) fiscal regime, (viii) small scale mining, and (ix) social development and a number of miscellaneous matters. The document not only articulates mining policy aspects but also covers a number of legal regulatory aspects which in other mining countries are defined in the mining code and associated regulations.

**6.3 KP Concession Rules.** Award of mineral rights in KP is guided by the NWFP<sup>31</sup> Mining Concession Rules developed in 2002, updated in 2005 which considered the 1970s Mining Concession Rules that were focused on small scale mining. These rules set forth clear and relevant processes for the award and implementation of mineral license/lease rights but in order to support a modern mineral sector under this Policy, additional attention and preparation of guidance to certain aspects will be given through the drafting of rules, i.e.

- Definition of mines and quarries using approaches that may include surface size, production volume, and/or investment amounts.
- Rights and obligations of Government and Investors/Mine Operators
- Institutional roles and responsibilities
- Financial rules (comprehensive)
- Mine Environmental and Social assessment and mitigation requirements
- Technical standards
- Updated violation and penalties
- Large-scale mining regime

**Additional Legal and Regulatory support.** Additional legal and regulatory requirements are applicable to mineral sector development in KP including environmental, land, social protection, tax, labor and other legal acts. However, if to ensure clear legal guidance and adequate implementation of the legal and regulatory framework for long-term, beneficial mining, detailed review of how these legal acts related to mining must be conducted. Various environmental, labor and other regulations are in place. Technical, financial, health and safety, environmental, and social regulations to support mining development are and will continue to be developed by the Minerals Development Department (MDD) in coordination with relevant Government authorities. Technical standards for mine operations are to be prepared by the appropriate technical bodies. For power and related mine development regulations, those institutions charged with regulatory drafting will work in collaboration with appropriate MDD departments to ensure a harmonized regulatory regime. As a matter of policy, Government shall embark on updating and harmonization of these regulatory provisions including clear description of institutional roles and responsibilities that is essential so that investors, Government actors and citizens to understand the legal hierarchy guiding mineral development in KP.

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<sup>30</sup> The original NMP was issued in 1995.

<sup>31</sup> North West Frontier Province.

**6.5 Procedures and Guidelines.** The MDD and relevant Government agencies shall issue relevant procedures and guidelines in detailed support of the legal and regulatory framework for the KP Mineral Sector.

### **KEY INSTITUTIONAL PLAYERS**

**KP Minerals Development Department (MDD).** MDD is the primary KP Government agency responsible for the administration, oversight and regulation of the “upstream” aspects – exploration and exploitation - of the mineral sector including the licensing of mineral rights, collection of royalties, ensuring worker safety and facilitating access to mineral lands. It is also responsible for geological survey work (exploration/resource mapping), research and development (R&D) projects, and technical support for small mining concessions. The MDD shall be headquartered in Peshawar with regional offices as required to implement best mineral sector oversight. The KP MDD implements core functions that include: (1) Cadastre/Licensing; (2) Development of Mineral Resources; (3) Land; (4) Regulations and Royalties; (5) Geological Survey/Exploration Promotion; (6) Health and Safety; and (7) Research and Development. Environment issues relevant to mining shall be coordinated by MDD and as necessary in consultation with the KP Environment Department. Included under the MDD are three critical sector functions:

- a. **Cadastre/Licensing.** The Cadastre/Licensing is responsible for the licensing and registration of all mines. It shall maintain a cadastral map of KP and issue reporting requirements for mineral operations through which it will monitor mine operations.
- b. **Inspectorate.** The Inspectorate is responsible for developing and monitoring the adequacy of mine and worker health and safety equipment, services, supplies and procedures.
- c. **KP Geological Survey/Exploration Promotion Department.** The Geological Survey/Exploration Promotion Department is responsible for the exploration and resource mapping of mineral resources in KP with consultation and collaboration with existing mining operations and the Geological Survey of Pakistan. This includes: the retrieval and maintenance of geo-science data and maintenance of Geo-Data Center in Peshawar. The Geological Survey/Exploration Promotion Department cooperates with exploration and mine companies, license holders and provincial and district authorities. KP Geological Survey/Exploration Promotion Department information, services and goods shall be provided at cost.

**Finance Department.** Responsible for the implementation of certain fiscal management and revenue collection functions relevant to the KP Mineral Sector as per in vogue procedures. License and lease holders are responsible for all legally required taxes; customs issues are addressed by the Federal Government.

**KP Environment Department.** Responsible for the certification of mineral operations in accordance with the Law on Environment and its supporting regulations. Mine operators will be responsible for meeting requirements on mining and for preparing environmental management plans. No mine shall be permitted to operate without certification from the Environmental Management Facilitation Cell to be established within the Mineral Development Department.

**Industries Department.** To the extent that the Industries Department has a regulatory role relevant to various “downstream” aspects of mineral commodities that may include but is not limited to processing, transformation, trade and export of mine materials that take place once the raw mine material has been mined.

**New Mine Institutions.** As may be deemed necessary, Government may establish and/or restructure existing institutions in order to contribute to capacity building and the sound development of the KP

mineral sector. Existing institutions may be strengthened by the Government in the furtherance of sound development of KP's indigenous mineral resources as well as imported mine materials.

## **ROLE OF GOVERNMENT**

The Role of the State in mineral development in Khyber Pakhtunkhwa will be facilitation and regulation of investment in the sector that may support prospecting, exploration, exploitation, sale and processing of mine materials in and out of the province. Through the MDD and KP Finance Department, Government shall promote good governance and transparency in how the KP mineral sector is managed, revenue generated and social and environmental protections in place. Where possible, the State shall provide mine security. Where necessary, in partnership with mine companies, Government will work with mine companies to provide security within defined parameters and time frames so as to ensure safe access, transit, operations and enforcement of project boundaries. Government may invest in mine operations but will only do so as a Government corporate entity that is not reliant on public budget funds.

## **PUBLIC PRIVATE PARTNERSHIPS**

As part of mineral sector development, Government encourages the use of public private partnerships to construct infrastructure that will support sector operations as well as broader provincial development objectives. Where Government invests directly in a license, lease and/or mineral project, investment will be with Government as a corporate entity and therefore is legally guided by the Mining Concession Rules and relevant mining requirements.

## **COMMITMENT TO TRANSPARENT MINERAL SECTOR OPERATIONS**

Commitment to Mineral Sector Transparency. Government supports an overall commitment to transparency in how minerals in KP are developed and will take a series of measures that include:

- Clearly published Government Department responsibilities and reduced discretion of Government decision-makers through increased participation of community members in sector development.
- Clear license award and implementation including requirement for operators to commence mine development within a certain time from award so that investors do not simply "buy licenses and hold on to them."
- Clear and consistently implemented termination, suspension and cancellation of leases, licenses.
- Preparation of a standard mineral agreements and publication of terms in provincial gazette.
- Identification and elimination of conflict of interest issues, i.e., Government officials shall not hold licenses or invest in mining until at least one year after leaving office.
- Defined and published royalty system and overall mineral sector fiscal regime.

## **Mine Ownership.**

This Policy supports private sector mine ownership and investment that may include Pakistan or international corporations, joint ventures, partnerships, sole proprietorships or any other legal structure allowed under KP and Pakistan Mining, Business, Investment and other applicable laws.

## **Minerals Revenue Management Program/Policy**

Government is committed to optimizing revenues generated from minerals and related development in Khyber Pakhtunkhwa. In order to ensure that benefits of this revenue are adequately captured, the MDD will prepare a "Revenue Management Program" that will (i) identify types of revenues expected to be generated; (ii) how these revenues will be collected and stored; and (iii) how these revenues will

be allocated. As a matter of policy, Government supports allocation of mineral revenues that supports provincial, district and mine community aspects for the near and long-term.

### **Extractive Industry Transparency Initiative (EITI)**

The KP Government is committed to implementing the revenue monitoring of mine operations in accordance with the Extractive Industry Transparency Initiative (EITI). The Extractive Industry Transparency Initiative (EITI) was established in 2003 as an international commitment to improved mining and generation of revenue for the benefit of host-country citizens as well as to safeguard resources and environment for the long-term.

### **MINERAL PROSPECTING AND EXPLORATION**

The prospecting and exploration of mineral resources in Khyber Pakhtunkhwa shall be conducted as follows:

- Initial survey and exploration work may be conducted by the KP Geological Survey in order to provide Government with up to date resource information, testing of mineral samples for quality, and to contribute to the geo-science data and mineral development strategy of the province.
- Actual exploration of minerals in KP shall be conducted by licensed mine operators that have demonstrated technical and financial capability and are operating in accordance with the applicable laws and regulations. Government supports a policy that relies on private investment to conduct and gather exploration information rather than relying on budget funds.
- Government also supports the conversion of an Exploration License to an Exploitation License to the Exploration License holder which has complied with its legal obligations and seeks to engage in commercial exploitation of the mineral or minerals explored.

### **MINERAL EXPLOITATION**

The exploitation or “production” of mineral resources in Khyber Pakhtunkhwa shall be conducted by legally licensed operators that are in compliance with the terms and conditions of their mine license, lease and/or mineral agreement and shall be conducted to optimize the presence of these non-renewable resources.

- a. No exploitation shall take place by a license/lease holder before a feasibility study is prepared and approved by the MDD.
- b. No exploitation shall take place by a license/lease holder before an environmental impact assessment is prepared and approved by the MDD in consultation with relevant KP Government departments.
- c. No exploitation shall take place by a license/lease holder before a social management plan and community engagement plan is prepared, consulted on with mine community members and approved by all parties.
- d. All exploitation activities shall be conducted in accordance with existing geological maps and shall not proceed without legally required permits and certifications issued by the relevant Government authorities that include but are not limited to the MDD.

**Monitoring of Leases.** The MDD will establish benchmarks for monitoring license and lease activities and publish results of mine investment activities in KP. This will include financial, environmental and non-mining development commitments. Conflicts related to the mine investment will be tracked and include local conflicts on land, environment, social issues as well as commercial conflicts and company disputes.

**Large-Scale Mining.** Government will review its fiscal, legal and institutional regime with respect to “large-scale mining” including the definition of what is “large-scale mining” and whether any modification is required. MDD will support sound develop of large-scale mining to ensure not only mining aspects but social, environmental, and infrastructure linkages are part of any large-scale mineral project..

**Illegal Mining.** This Minerals Policy strictly prohibits illegal mining in Khyber Pakhtunkhwa. Where illegal mining is discovered appropriate legal action shall be taken.

## **DISPOSITION AND USE OF MINERALS**

**Sale, transport and processing.** As a matter of policy, the sale, transport and processing of minerals after they have been exploited from any mine in Khyber Pakhtunkhwa is solely the responsibility of the agent in possession of the rights to those minerals and may be the mine operator or its agent, the purchaser of the minerals or a trader/dealer, and shall include any legally required application of royalty payments.

**Use of Minerals.** As a matter of policy, Government encourages the following.

- a. **Upstream mining.** The beneficiation and other processing techniques to bring lower grades and finer size minerals into use.
- b. **Downstream mining.** The commercial use of KP minerals for domestic and export markets that may include industry, energy, construction and ornamental uses.

## **ARTISANAL MINING**

As a matter of policy, artisanal mining shall be formalized as a part of the KP mining sector and encouraged in Khyber Pakhtunkhwa. Government will work with artisanal mine operators to improve the legal and financial framework in which these artisanal operations are conducted. These mines will be subject to the licensing, reporting and inspectorate requirements provided for by mineral laws and regulations. Environmental and social safeguards apply as do legal requirements for the payment of taxes and applicable royalties.

## **TECHNICAL OPERATIONS OF MINES**

**Mine and Other Plans.** In accordance with Mining Regulations, each mine shall prepare and provide the MDD and the relevant Environmental Department in KP with a Mine Development Plan, Mine Closure Plan, Health and Safety Plan and Environmental Impact and Social Assessment relevant to mine operations during the license/lease term. The content of these plans will follow a format to be prepared by the KP MDD in collaboration with the appropriate technical bodies and must be approved by the appropriate authorized agency before mine operations may commence.

**Clean Technology and Mining Methodologies.** Where possibly, clean mine technology and methodologies will be used. This includes exploration, exploitation and transport of mine materials.

**Used Equipment.** As a matter of policy, Government recognizes that used equipment may be utilized at mine sites in the province; although Government is not in support of the use of antiquated equipment and technology, for practical purposes, where used equipment (i.e., second hand, third hand) is to be used for mining or mine-related activities, that equipment shall be approved and certified for use by the KP MDD according to relevant standards

**Use of Explosives.** As a matter of policy, citizens of KP shall support the limited use of dynamite and other explosives that are hazardous to the mineral resources of KP. Explosives shall only be used in accordance with the law; any other use shall be considered to be a criminal act.

## **FINANCIAL ASPECTS OF MINERAL INVESTMENTS**

**Tax and Royalty Payments.** Mine companies operating in KP will be responsible for the timely payment of applicable business, rental and other taxes as well and the timely payment of royalties. Where possible, mine companies may take advantage of existing tax and other fiscal benefits applicable to qualified extractive industry operations. As a matter of Government policy, mine companies will not be encumbered with excessive taxes, fees and duties at the international, provincial or district borders.

**Payment of Fees and Penalties.** Fees and penalties relevant to mining in KP shall be detailed in procedures of the relevant Government agencies. Criminal provisions may be reasonably applied where a mine company fails to comply with these procedures.

**Equal Investment opportunities.** Government seeks to provide a fair and balanced fiscal and regulatory regime to protect mineral sector investments and shall apply all laws equally and fairly to all similarly situated registered companies whether they have foreign ownership or not. Government ensures security of tenure, management and ownership control for all mine companies operating in accordance with the laws of Khyber Pakhtunkhwa.

**Foreign Investment.** As a matter of policy, the KP Government seeks both domestic and foreign investment in its minerals sector. Government recognizes that complications may be expected as foreign investment in mining enters Pakistan in which case some federal oversight relative to investment and finance matters will be required. The Government of KP will coordinate policy and legal development with the federal Government where required to ensure clear mineral operations where foreign investment is involved. Repatriation of profits and capital shall be guided by the laws of Pakistan.

## REVENUE MANAGEMENT

The Government of Khyber Pakhtunkhwa is committed to managing revenue generated from mineral activities in the province to be transparent and to benefit the people of KP. Government will develop a revenue management program that will achieve the following:

- Clearly explains what revenue should be generated and is generated from mineral operations;
- Monitors the revenues received from the minerals sector;
- Ensure that a certain percentage of the mineral revenues goes directly back to mining communities in the form of improved infrastructure, social, health and educational services; and
- Ensures that a definite percentage of the mineral revenues generated will be deposited into a long-term treasury account for future generations.

## ENVIRONMENTAL MANAGEMENT

**Approved Mining Areas.** Mining operations shall not be conducted where Government has declared that ecologically fragile and/or biologically rich eco-systems exist. Open-cast mining should be avoided in forest-rich areas and only in compliance with a detailed reclamation plan.

**Environmental Protection.** No Mine Plan shall be approved absent a thorough environment impact and social assessment (EISA) accompanied by a time-bound detailed Environmental Management Plan (EMP) to be approved by the KP MDD in consultation with the relevant Government agencies. At a minimum the EMP shall address solid and liquid waste management, water and soil pollution abatement, impacts of removal of overburden, and deforestation.

**Mine Closure Plan.** As part of every Mine Plan a Mine Closure Plan and timeline shall be included. The Mine Closure plan and implementation shall restore ecology and regenerate bio mass as well as consider and address the social impacts of mine closure.

## **SOCIAL IMPACTS AND COMMUNITY ENGAGEMENT**

**Social Impacts.** No Mine Plan shall be approved absent a thorough social impact assessment and social mitigation plan. Where communities located in mine areas are or may reasonably be expected to be negatively impacted by mine development, detailed social impact assessments of impacts and mitigation measures must be provided to the KP MDD and other relevant Government agencies for review and approval.

**Public Consultation.** Active participation and consultation with the impacted community (ies) and other key stakeholders shall be undertaken by the KP MDD and upon issuance of the license/lease, the mine company or mine operator. Where necessary, resettlement, rehabilitation and compensation actions shall be agreed upon with the Mine Community, Mine Company and the KP MDD.

**Disclosure.** KP MDD shall develop mechanisms to regularly consult and exchange information with stakeholders, and to address concerns and grievances. KP MDD and relevant Government agencies will ensure that its procedures, guidelines and information are freely available that will include but not be limited to licensing procedures, fee and penalty structures, royalty, tax and other fiscal parameters. KP MDD shall establish a publicly accessible information system to the Cadastre/Licensing and mineral license/lease information.

**Community Engagement.** As part of its policy to ensure that KP citizens receive benefits from mineral development in the province, the KP MDD will work with Mine operators and communities to develop clear financial and development commitments. These commitments may include mine company obligations to build infrastructure, Government's commitment to improve roads and schools and/or community member commitment to improve skills that may be used in mine work. Each community will have different needs and requirements that may be summarized in a "Community Development Agreement." Government will also identify best approaches to conflict resolution of related local matters, i.e. land access/use, environment, social impacts and mitigation measures.

## **MINE-RELATED DEVELOPMENT**

**Infrastructure Linkages.** Government is committed to improved infrastructure development in mine regions and linking that infrastructure throughout the province for improved provincial quality of life that will contribute to overall economic development.

**Community Development.** The KP MDD will collaborate with mine communities, mine and mine-related companies to facilitate local linkages between upstream and downstream mining activities. Government encourages the establishment of long-term business relationships between suppliers and consumers that may safeguard employment, supply and prices for various mine products.

## **HEALTH AND SAFETY**

**Mine Safety.** This policy supports a greater emphasis on the operations and staffing of the MDD Inspectorate in order to regularly monitor the development of minerals in KP.

**Worker Health.** This Policy supports a greater emphasis on the operations and staffing of the MDD Inspectorate in order to regularly monitor the mines in KP for the purpose of safety of mine labor/workers. As a matter of policy that shall be included in law, the KP Government requires that all Mine Companies supply all its workers with required health and safety gear as required by the Inspectorate. Mine Companies must maintain appropriate worker health facilities at the mine site and can reasonably transport injured workers to a nearby medical facility in a timely fashion. Monthly worker physicals at no-cost shall be conducted by the Mine Company.

## **EXPORT OF MINERALS AND MINERAL PRODUCTS**

Government encourages free and open export of minerals from KP in their raw and/or processed form to traditional and new domestic and foreign markets.



## IMPORT OF MINERALS AND MINING MATERIAL

This Policy does not preclude the importation of mining equipment, machinery, supplies but encourages that these imports will improve mine efficiency, safety and productivity of mines in Khyber Pakhtunkhwa.

This Policy does not preclude the import of raw mine materials.

## SUPPORT OF THE DEVELOPMENT OF THE KHYBER PAKHTUNKHWA MINERAL SECTOR

**Strengthened Capacity of KP Minerals Development Department.** In order for the KP Minerals Sector to provide optimal economic, social and overall benefit to the people of the province, a strong and technically capable MDD at all office levels must be in place. MDD enhanced capacity in financial modeling, technical aspects of mine design, investment promotion, strategic planning and critical regulatory and policy-making skills will be supported.

**Preparation of KP Minerals Sector Strategy.** This Policy supports the development of a five-year minerals sector development strategy that will consider existing and proposed mineral developments in the province with the aim of creating jobs and economic development for the province. It will address related infrastructure and community development projects, approaches to attracting long-term investment and clarify institutional roles and responsibilities for minerals in KP.

**Development of the KP Legal and Regulatory Minerals Framework.** This Policy supports the preparation of a “Minerals Act of Khyber Pakhtunkhwa” that will set out the legal authority of sector institutions, describe processes in support of the Concession Rules for the award of mineral rights, list obligations of license/lease holders including social and environmental requirements, and other legal aspects. Regulatory drafting will be vigorously supported to provide clear and definite guidance for Government, investors and the citizens of KP relevant to mineral development.

**Geological Surveys, Research and Development.** This Policy supports the systematic collection and analysis of geological data relevant to mining in Khyber Pakhtunkhwa. The KP MDD shall enhance its research and development capacity in partnership with local academic and technical institutes and where useful, with other provinces. The KP MDD will work with investors to ensure collection and safeguarding of geo-science data.

**Development of Sector Capacity.**

- a. **Mid-Career Professionals.** Where possible, this Policy encourages that the KP MDD develop initial and mid-career training programs for mine technicians, commercial staff, Government officials and other essential professional and technical positions. Where possible Government and mine authorities will develop international partnerships that support mid-career internships, training and other professional development opportunities both in Pakistan and abroad.
- b. **Young Professionals.** This Policy encourages government and educational authorities in Khyber Pakhtunkhwa to provide fiscal and other resources for the development of educational and training services that target the technical, fiscal, legal, environmental and other aspects of mining sector development. Where possible, existing academic and training institutions may enhance their programs to suit specific mine sector development while in other cases, stand-alone educational and training facilities will be required. National, Provincial and District Governments are encouraged to identify possible international educational and training programs that would suit these purposes as well as partnership opportunities to develop in-country facilities that are based on established international institutions.
- c. **Judicial and legal review capacity.** This Policy encourages awareness building and the development of processes that will systemize the way in which mineral conflicts and

commercial mine contract issues are addressed. Conflict that may arise for which this capacity is essential includes worker grievances, community conflict with mine companies, company dispute with Government and more; Government supports active and peaceful resolution of such conflicts.

Improved Provincial Relations. Khyber Pakhtunkhwa MDD and relevant Government agencies shall promote linkages with other provincial authorities in Pakistan provinces that are working on similar mineral sector issues. KP shall participate in the Minerals Working Group (MWG) which seeks to promote collaboration amongst Pakistan's provinces to develop sustainable and beneficial mining operations. MDD will develop and support a KP-wide Public Information Campaign on mining, related development and Government strategy for sector development.

Domestic Mine Equipment and Machinery Production. Government encourages the development of KP and domestic-based production of equipment, machinery, supplies and materials for mine operations.

### **ACTIONS TO BE TAKEN TO IMPLEMENT THIS KP MINERALS POLICY**

In order to ensure timely and practical implementation of the KP Minerals Policy, MDD will take the following actions:

- a. Publish the KP Minerals Policy to promote awareness building amongst the population of KP.
- b. Develop a "Minerals Policy Action Plan" in which specific actions will be identified and timelines for performance of those actions.
- c. Prepare supporting "sub-sector" policies that will include metallic minerals policy and other sub-sector categories as is useful.
- d. Strengthening of the Mines and Minerals Department, Environmental Department and other relevant Government Agencies operating in KP with respect to minerals and the development of mines.
- e. Government will seek outside funding and other support that may include Federal Government, Donor or partner organizations toward capacity building and infrastructure improvement in KP.

### **MODIFICATION OF THE KHYBER PAKHTUNKHWA MINERALS POLICY**

The KP MDD shall convene a review of this Minerals Policy shall be reviewed on an annual basis and may modify the Policy as may be in the best interests of the development of mineral resources in Khyber Pakhtunkhwa.

### **EFFECTIVENESS OF THE KHYBER PAKHTUNKHWA MINERALS POLICY**

This KP Minerals Policy is effective as of its date of publication in the Official Gazette and is deemed to be the foundation document on which the Khyber Pakhtunkhwa Mineral Sector will operate and from which relevant legal and regulatory acts and other supporting policies may be developed.

## 4.7 Khyber Pakhtunkhwa (KP) Minerals Policy Action Matrix

### Mineral Policy Action Plan<sup>32</sup>

Policy Issue	Policy Action	Responsible Agent	Timeline
<b>Guiding Policy for Mineral Sector</b>			
<b>1.a KP Mineral Policy</b>			
Finalization of KP Mineral Policy	<p>Internal MMDD consultation to confirm and agree on mineral policy priorities</p> <p>Development of clear policy issues relevant to “upstream” (exploration and exploitation) and “downstream” (processing, transformation, trade, export) aspects of mineral development</p> <p>KP MMDD and relevant Government agencies meet/consultation to confirm and agree on policy priorities</p> <p>Consultation with key stakeholders (CSOs, trade unions, worker associations, mine communities, business/owners association)</p>	KP MMDD as lead agency in consultation with relevant Government departments	June 2014
Publication of KP Mineral Policy	<p>Summary of key policy priorities in district, provincial, national and international journals</p> <p>Publication of policy priorities in newsletters and dissemination to Pakistan media</p> <p>Dissemination of policy to mine operators, government leaders</p>	MMDD	June 2014
Policy review	Regular consultation with key stakeholders and review (i.e., annual) of Mineral Policy; consideration of modifications	MMDD	Annual
Moratorium	In order to allow for the MMDD and Government of KP to have sufficient time to assess and upgrade the legal, regulatory, technical, financial and overall framework for minerals development in KP; a two (2) year moratorium on the award and issuance of mineral licenses and leases shall commence January 1, 2014.	Government of KP and MMDD	Jan 1 2014- Dec 31 2015
<b>1.b Sub-sector Policies/Programs</b>			
Preparation of Metallic Minerals Policy	Following a similar format for consultation as is taken with the KP Mineral Policy to ensure agreement on policy priorities	MMDD	August 2014

<sup>32</sup> Based on the Policy Priorities included in the Khyber Pakhtunkhwa Mineral Policy

Preparation of Coal Assessment	Preparation of "Terms of Reference" for coal assessment of KP coal resources Outsource of technical and quality assessment of KP coal	MMDD with Government collaboration	TOR-Feb 2014 Conduct Tender 2014 Study complete Dec 2015
Mine Programs	Preparation of "Mine Programs" either by mineral category or provincial area to indicate priorities for development for 3, 5 and 10 years	MMDD with Government	Draft December 2013
<b>Modern Mineral Sector Development</b>			
<b>2.a Geo-Science Data</b>			
Clear data policies	Development of Geo-science Data policies that address (1) handling of data; (2) confidentiality of certain data; (3) data access for public, investors, students	Geological Survey/Explor Promotion	December 2013
Historical records of KP minerals	Preparation of "rock and core" sample protocol and dissemination to all mine operators to ensure that KP has a good record of its resources	Geological Survey/Explor Promotion	November 2013
Protecting limited resources	Preparation of list of "strategic minerals" and applicable conditions for licensing	MMDD with Government	December 2013
<b>2.b Technically Efficient Sector</b>			
Quality of minerals	Establishment of testing lab (if possible) or partnership with nearby lab for testing quality of minerals Training for gem miners on quality control Categorization of coal using modern heat, ash and sulfur percentages Introduction/expansion of Kimberly standard	MMDD	Program commenced January 2014
Mining techniques	Preparation of regulation on "Use of Explosives" Training for all dimension stone operations on mining techniques; where possible development of funding schemes to improve techniques Introduction of serious penalties for poor mining techniques, i.e., use of certain explosives) Preparation of minimum equipment standards (i.e., for used equipment) and mining standards (i.e., for quarrying)	MMDD Inspectorate	December 2013
Memberships	MMDD will explore regional and international mining associations and publications	MMDD with FIRMS	Immediate

	that will benefit information building relevant to developing the mineral sector (i.e., World Coal Association)		
Research and Development	MMDD shall dedicate more resources to improving the research and development function of its operations and work with other Government departments where useful	MMDD with other Government departments	May commence
<b>2.c Revenue Management</b>			
Accountability of Mines	Development of “Mineral Revenue Management Program” Quarterly meeting of mine operators (by category) with MMDD, EPA and Finance Department to review revenue rules, issues, recommendations	KP Finance Department	June 2014
Fiscal regime	Introduction of independent audit of mining revenues Establish system to tracking financial operations of mines (i.e., regularity of royalty payments, tax payments, customs) Review of surface rent/royalty options and development of surface rent/royalty rules Development of international accounting standard requirements for large-scale mining and to be introduced for all mining operations in future	MMDD working with Finance Department and district governments, communities	Commence review; initial assessment by April 2014
Transparency	Application by KP Authorities to participate in EITI33 Review of measures that may be taken to reduce opportunities for corrupt practices, for example: Government officials may not hold mineral rights while holding office and not for one year after leaving office	MMDD working with Government	Immediately
Worker Protection	KP MMDD is updating the Mines Labor Regulations to reflect modern mining practices KP Government wants all mine and mine related workers to have social benefits; mine operators must take on this as a legal requirement in addition to paying all legally required taxes	MMDD working with Labor Department	Immediately
Allocation of Mineral Revenues	Development of revenue-sharing schemes to benefit mining communities and KP citizens Development of clear mechanism through which mine communities will receive some financial or development gain from mining in their communities (beyond job creation); this could be in the form of revenue to the local budget, improvements in infrastructure, social services, etc.	Finance Department	June 2014

<sup>33</sup> Note that to date EITI has only been applied to countries, however, because of Pakistan’s Constitutional mandate of provincial authority in mining, it may be possible for KP to apply as a Province and is worth exploring.

<b>2.d Artisanal Mining</b>			
Government commitment to Artisanal Mining	<p>Assessment of role of artisanal mining in KP, how it is presently operating, how it may be formalized in a simple, useful way</p> <p>MMDD establishment of a dedicated “Artisanal Mining Department”</p> <p>Promote artisanal mining within KP for KP citizens</p> <p>Provide support services to artisanal miners including training on techniques, getting products to market, obtaining a fair price</p>	MMDD	Assessment by December 2013
<b>2.e Capacity Development</b>			
Gov’t Departments	<p>Short term, targeted training to build specific understanding of mining in KP</p> <p>Participation in Minerals Working Group (MWG) of Pakistan</p> <p>Course work (possibly online programs) to provide international experience</p> <p>Development of “international best practices” in different aspects of mining for dissemination throughout Government agencies</p> <p>Identification and facilitation of best practices for downstream mineral activities (i.e., with KP Industry Department)</p> <p>Development of dialogue with Sindh Government on its development of the Thar Coal Resources using the “Thar Coal Energy Board” mechanism and international tender processes</p>	MMDD leads working with other Government Departments and Academic and Technical Institutes	May commence immediately
Sector staffing	<p>Mid-career training programs to modernize knowledge of MMDD and other Government staff</p> <p>Young professional training, internships</p> <p>Development of university curriculum on key mining issues including technical, financial, commercial and legal</p>	MMDD  KP Education Department.	Program Developed by March 2014
Donor Support	<p>Leverage donor funds and programs for training and internships abroad</p> <p>Leverage donor funds for specific technical advisory</p> <p>Leverage donor funds to provide grants to CSOs, local consultancies to conduct monitoring of mining operations</p>	Government of KP  MMDD	Immediate
<b>Development of a market-oriented Mineral Sector Policy</b>			
<b>3.a. Legal &amp; regulatory Framework</b>			

Modern Legal Guidance for Award of Mineral Rights	<p>Review of international “best practices” for award of mineral rights</p> <p>Development of award criteria to include industrial and economic linkages.</p> <p>Develop regulatory preference for investors linking mining operations with integrated industrial and other development activities (i.e., power generation, production, processing).</p> <p>Develop regulatory preference for investors’ award of license to training and capacity building of citizens. (Consider introduction of new license; i.e., foreign investor has limited period with idea that after X years, it will transfer to KP management)</p>	MMDD with consultants	<p>Review-March 2014</p> <p>Updated Concession Rules – Dec 2014</p>
Consultative process to develop and monitor legal framework	<p>Establish Mineral Legal Drafting Committees (i.e., coal, minerals) as formal mechanism to prioritize legal and regulatory drafting, review process, public hearings.</p> <p>Awareness building for judges and commercial court personnel on mineral contracts and likely conflicts.</p>	MMDD	May commence
KP Mineral Law/Act	<p>Obtain comparative legal experience on critical mining issues</p> <p>Finalize adoption of 1923/1948 federal acts but preparation of draft KP Mineral Act and guide development of legal requirements using consultative process</p> <p>Harmonization of this Law with tax, social and environmental laws to ensure that mineral investments have predictable legal guidance to operate and that KP citizens are legally protected</p>	MMDD lead with KP Legal Department	Dec 2014
Regulatory drafting	<p>Preparation of clear regulatory guidelines for: (examples)</p> <p>Government-company participation and obligations in mineral contracts.</p> <p>Time-based requirements to commence mining or lose lease</p> <p>Community relations, corporate social responsibility.</p> <p>Health and Safety regulations including penalties and enforcement.</p> <p>Development of “public hearing” process for regulatory adoption, amendment.</p> <p>Prepare regulatory guidelines for downstream activities relevant to mining (processing, cutting, washing).</p> <p>Detailed environmental regulations (i.e., emergency plans, mine closing requirements, equipment standards)</p>	<p>KP MMDD</p> <p>Environment Department.</p> <p>Relevant Gov’t departments</p> <p>Expert consultants</p>	Establish 2 year Regulatory Drafting program
Improved mineral leasing/contracting	<p>Review of lease/contract templates to improve clarity, include more definite benchmarks for performance, ensure Government commitments and entitlements (valuation) are clearly stated, possibly include midstream and downstream commitments.</p>	MMDD with Finance, Environment, Commerce Agencies	Dec 2014

	<p>Ensure contracts promote commercially reasonable state participation including transfer of know-how from partnering investors.</p> <p>Preparation of "Mineral Agreement/Contract" template.</p> <p>Ensure contracts/leases include strong worker safety provisions and enforcement for same</p> <p>Confer with other provinces to update Concession Rules</p>	Expert consultants	
<b>3.b. Clear Institutional Roles and Responsibilities</b>			
Reorientation of KP Gov't Institutions	Regulatory and policy-making roles relevant to key topics (1) mining; (2) environment; (3) social; (4) land; (5) labor; (6) foreign investment must all be very clear and predictable; MMDD can prepare "Terms of Reference" based on international best practice for institutional roles.	MMDD lead with Government	Process "kicks off" November 2013
Strengthened MMDD	As the key leader of sector operations, development of 2 year reform program that will include (1) restructuring MMDD operations to reflect international best practice; (2) capacity building; (3) equipment improvements; (4) implementing policy actions proposed herein	MMDD Expert consultants	Plan developed by Dec 2013
Improving provincial and district linkages	<p>Establish "Mine Communities Mayors' Association" to promote information exchange, development plans.</p> <p>Establish "Local Oversight Committees" (LOCs) in mining communities to monitor use of provincial/district funds relative to mining to promote local development.</p>	MMDD as lead agency working with provincial and district Governments	<p>Association January 2014</p> <p>LOCs – June 2014</p>
KP-Federal relations	<p>Preparation of clear policy/strategy on KP-federal mineral relations, i.e., meetings, coordination, fiscal incentives, foreign investment</p> <p>Review of how KP Geological Survey/Exploration Promotion and Geological Survey of Pakistan may improve information sharing and technical survey work</p> <p>Facilitation of environmental, social and investment linkages between KP government agencies and counterpart federal agencies to ensure optimal development and attention on KP minerals</p> <p>Review of Thar Coal-Energy Board (provincial-federal) structure and operations, "lessons learned"</p>	<p>MMDD lead</p> <p>KP Investment Department lead</p>	<p>Commence immediately</p> <p>Strategy Dec 2013</p>
Labor-management relations	<p>Establish "Mine Labor-Management Relations Board" to address grievances and disputes relative to mining operations</p> <p>Preparation of labor-management relations' guidelines and fair practices standards</p>	MMDD with Labor Department	Immediate
State/KP participation in minerals	As a matter of Policy, for any new investments, where either KP or the State or any Government-affiliate is an investor in minerals in KP, that investment must be	MMDD and Government of KP	Immediate

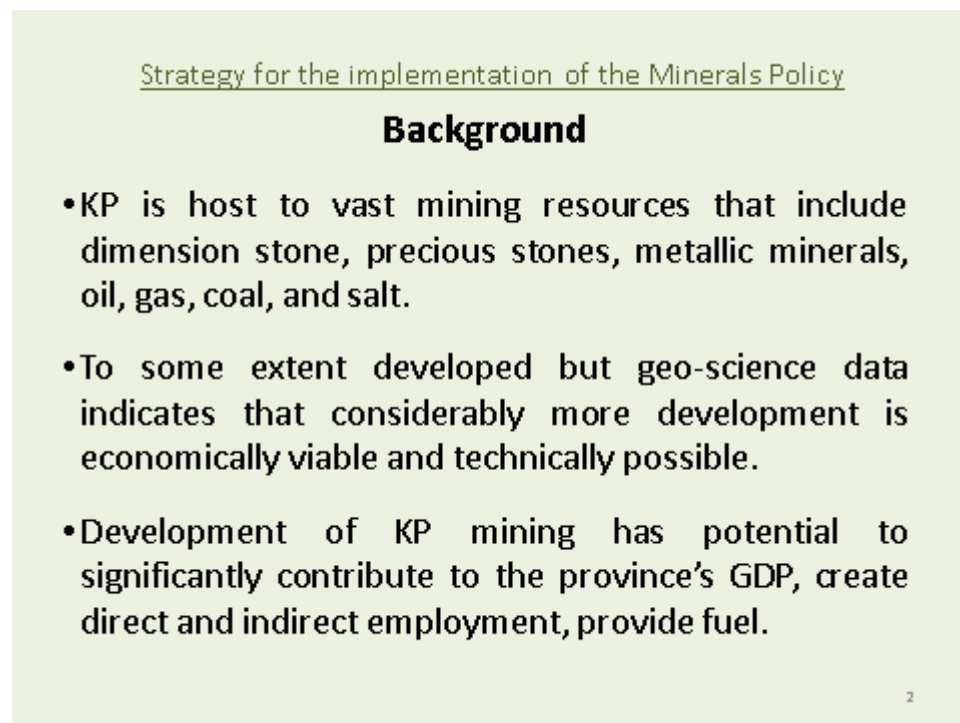
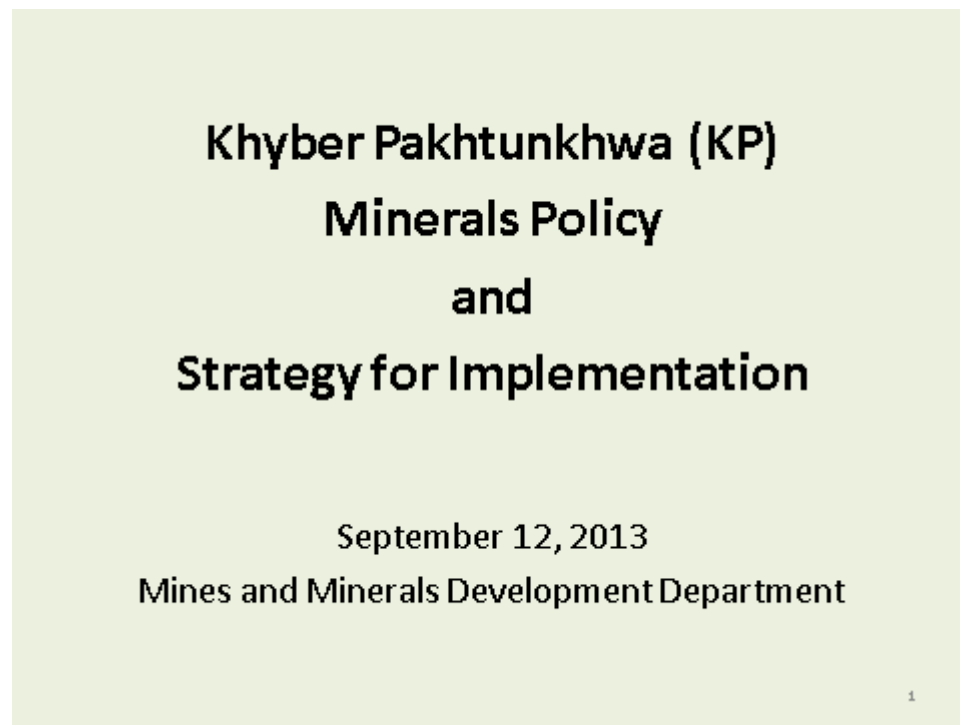


	corporate and should not include budget funds		
<b>Integrated Infrastructure Development</b>			
<b>4.a Mining and Provincial Development</b>			
Planned provincial development	Mapping of mine locations in operation and potential mines and provincial infrastructure in place, required Increased integration of mining as part of provincial economic planning	MMDD with KP Economic Planning Department	June 2014 draft
Regularized consultation on provincial development and mining	Establish "Mine Infrastructure and Industry Commission" as oversight planning body, to prepare guidelines, ensure environmental and social compliance, integration	MMDD with KP Industry Department and Industrialists Associations	October 2013 first meeting
<b>4.b Developing the KP Minerals Market</b>			
Large Scale Mining	Assessment of potential for large scale mining investments in KP, project structure required, investment requirements, environmental and social impacts, etc.	MMDD consultants	May commence
Linking KP Minerals with viable transport	Assessment of core mining regions in KP and transport infrastructure, i.e., roads, rail, truck fleets, animals Development of mineral transport strategy based on findings of assessment Integration of transport as part of KP economic development	MMDD with KP Transport Department, private transport businesses	Dec 2013
Promoting linkages with artisanal and larger mining	Draft regulations to support artisanal operations as "overlapping" on larger mines (with larger mine written permission) and promoting technical transfer, sharing facilities	MMDD	Immediate
Enhancing downstream market in KP	Assess existing downstream businesses that support KP, their constraints and requirements to improve Assess opportunities for downstream mining business in KP and possible constraints	MMDD outsource consultant	Immediate
<b>Social and Environmental Protection</b>			
<b>5.a Mining and Environment</b>			
Mineral Resource Conservation	Immediate determination of certain mine operations that are so detrimental as a matter of policy that they should be halted Immediate determination of mines or mine areas or certain mineral resources that should not at this time be mined and instead marked as part of the "KP Mineral	MMDD in consultation with relevant Government departments	Immediate

	Resource Conservation Program”.		
Use of international standard tools	Introduction of Environmental Screening Reports as a requirement to be considered for a license/lease Introduction of Environmental Impact Assessment and Environmental Management Plan as a requirement for a license/lease	MMDD in consultation with relevant Government departments Department	Commence activities by end 2013, 2 year plan to enact
<b>5.b Mining and Social Impacts</b>			
Protecting citizens of KP as the mineral sector develops	Conduct a “social impact assessment” to identify critical social issues for KP related to mining and mine-related activities and develop “mitigation measures”. Develop basic information about MMDD and mining in KP and dissemination throughout the province. Review and consideration of introducing the “Voluntary Principles”	MMDD outsourcing to firm	Assessment Dec 2014 Information April 2013
Mine Security	Assessment of security issues relevant to mines and related infrastructure Development of strategy to address security issues Identification of funding to support necessary security measures	MMDD with KP Security Department	Assessment Feb 2014 Strategy June 2014
Land access and use	Preparation of clear rules/regulations on land access (“right of way”) and payments required for same land compensation (“surface rent”) and system for payments	MMDD with KP Land Department	Dec 2014
Compensation	Development of clear and predictable rules for resettlement due to mining or mine related development agricultural compensation	MMDD with KP Social Protection Department	Dec 2014
Conflict resolution	Assessment of conflict issues at mine sites, in mine communities, in KP and between KP and federal level Review of international “best practices” in conflict resolution on mining issues Review of what conflict resolution mechanisms are presently in place to address conflicts on social, environmental, land, worker, commercial and other disputes Development of conflict resolution approaches that meet local needs	MMDD with consultants, relevant KP Agencies	Dec 2014

5.c Mining and Community Development			
Ensuring communities actively participate in mining development	Requirement that all mines must contribute to community development and introduction of “Community Development Agreements” (CDAs) Facilitation of consultative process to determine structure of contribution (contribution may be financial, construction, etc.) Establishment of “Local Oversight Committees” at local level to regularly meet with mine operators and MMDD and discuss mining at the local level	MMDD as lead agency working with relevant Government departments, communities, CSOs	Immediate

## 4.8 Khyber Pakhtunkhwa Minerals Policy Power Point Presentation



Strategy for the implementation of the Minerals Policy

**Current Mining Context in KP**

- Primarily artisanal/small-scale
- Marble /granite operations dominate the market
- No large KP mining companies
- International companies are not present
- Infrastructure constraints prevent large development: power, transport facilities
- Professional, commercial and vocational skills needed for mining lacking amongst citizens

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Strategy for the implementation of the Minerals Policy

**Current Mining Context in KP**

- 898 Prospecting licenses (approx)
- 431 Mining leases (approx)
- 32,450 miners in KP (approx)
- Minerals produced in KP are exported and used in-country

4

Strategy for the implementation of the Minerals Policy

**Minerals Policy: OBJECTIVE**

- *To provide clear description* of priorities and practices supported by the KP Government to develop the mineral resources of KP.
- *Identify actions* to facilitate investment, build institutional capacity, safeguard KP's mineral resources and evolve to improve the quality of life of KP residents.

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Strategy for the implementation of the Minerals Policy

**Minerals Policy: TOPIC AREAS**

- ***Upstream activities*** (mine development, production, transport from mine).
- Downstream activities (not fully covered here)

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Strategy for the implementation of the Minerals Policy

**Minerals Policy: GOAL**

To facilitate and support a minerals sector that is predictable for investors, positively impacts KP citizens, safeguards workers and environment, and has lasting return for the province and the country.

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Strategy for the implementation of the Minerals Policy

**Minerals Policy: RATIONALE**

- ✓ **Comprehensive approach to sector development to find balance for development and include domestic industrialization as well as support export markets.**
- ✓ **Linking minerals development with economic growth and development for today and generations to follow.**
- ✓ **Large generation of revenue in these early years is not as important as ensuring that the sector can perform well for decades to come.**

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Strategy for the implementation of the Minerals Policy

**Minerals Policy: ISSUES**

- *Government capacity* and coordination to implement a modern mining regime
- Introduction of *modern mining techniques*/reduce waste
- *Enhanced revenue generation* and allocation
- *Resolution of land issues* (access, compensation)
- *Conflict resolution* that is accessible for workers/stakeholders
- *Attraction of legitimate and technically qualified investment*
- *Improved linkages of mining* to infrastructure development
- *Improved value-chains* and value-added benefits to minerals mined in KP

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Strategy for the implementation of the Minerals Policy

**Minerals Policy: BASIC FEATURES**

1. This is the Guiding Sector Policy
2. Modern Development of KP Minerals
3. Market-oriented Mineral Sector
4. Integrated Infrastructure Development
5. Social and Environmental Protection

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Strategy for the implementation of the Minerals Policy

### **Institutional Arrangements**

- **Government** – key policy maker and regulatory oversight.
- **Civil Society** – participants in development, watchdog function.
- **Private Sector** – financing, implementation of sector operations.

*Clear definition of the roles and responsibilities of these stakeholders and monitoring their interactions will critically impact the course of mineral development in KP*

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Strategy for the implementation of the Minerals Policy

### **Institutional Arrangements**

**MMDD** is the *lead* Government agency responsible for the implementation and monitoring of mineral resources development including implementing the Minerals Policy.

- Some restructuring of MMDD may be required
- Critical MMDD roles include:
  - Geological Survey – collection and maintenance of data
  - Cadastre – licensing regime
  - Inspectorate – health & safety of operations
- Other roles include linkages on environment, social, community

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Strategy for the implementation of the Minerals Policy

**Cross-cutting Issues relevant to Minerals Policy**

Economic Impact	Fiscal Impact
Land	Infrastructure
Energy and Industry	Regional Linkages
Social Impact	Land and Compensation
Livelihoods	Community Relations/Culture
Health an Environment	Capacity, Education and Skills

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Strategy for the implementation of the Minerals Policy

**Strategic Actions to Implement the Policy**

***See DRAFT Policy Action matrix***

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Strategy for the implementation of the Minerals Policy

### **Financing Actions to Implement the Policy**

- **Mine and Infrastructure Assessments/Developments**-donor assessments; private investment; PPP where economic
- **Legal and Regulatory Development**-line ministry budgets, donor support
- **Mine Community Support** - Government budget, mine companies
- **Environmental and Social Mitigation Measures** – mine companies, Government/donor support
- **Education, Skills Training and Capacity Building**- Government, donor support, private partners
- **Government-owned Mine Companies** - different financing methodologies to be considered

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Strategy for the implementation of the Minerals Policy

### **Funding Mechanisms to Implement the Policy**

- Revolving loan funds
- Dedicated infrastructure support fund
- Educational scholarships, grants
- Civil society grants
- Business loans at favorable interest rate
- Business centers
- Mine companies
- Sister-company, Government institutions,
- Educational partnerships
- Public-private partnerships

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Strategy for the implementation of the Minerals Policy

**Monitoring and Evaluation of Policy Actions**

1. Improved license and contract reporting
2. Enhanced mine community participation
3. Enhanced and new institutional mechanisms
  - Mineral Development Board
  - Inter-agency Commission
  - Mine Legal and Regulatory Revision Committee
  - Local Oversight Committees
  - Mine Labor and Management Board
4. Enhanced Public Information

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Strategy for the implementation of the Minerals Policy

**Khyber Pakhtunkhwa (KP)  
Mines and Minerals Department**

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# 5. Appendices

## Appendix -1 Relevant Literature Reviewed

1. National Minerals Policy, 2013, 1995
2. Rapid Mineral Concession Assessment, FIRMS, July 2013
3. Mines Act, 1923 and all adopted legislation, i.e., 1967 Mines Labor Code, etc.
4. Regulation of Mines, Oil Fields and Minerals Act, 1948
5. Balochistan Mining Concession Rules, 1960, 1970
6. Balochistan Mineral Rules, 2002
7. Northern Areas Mining Concession Rules, 2003
8. North West Frontier Province Mining Concession Rules, 2005
9. Balochistan: The Transition of Mineral Sector Towards Good Sector Governance, World Bank, 2007
10. "Investment Opportunities in Mineral Sector of Balochistan," World Bank, 2002
11. "Investment Oriented Study on Minerals and Mineral Based Industries," Federal Government
12. Mineral Investment Promotion materials, Minerals Working Group (MWG), 2012-2013
13. Geological Survey of Pakistan ([www.gsp.gov.pk](http://www.gsp.gov.pk))

## Appendix-2 Case Study

### Fiscal Requirements of the Indus Mining (Quarry) Lease

Lease Start Date: 2007 Lease End Date: 2027 (20 years)

Formal Requirements	Amount	Paid to	Consultant Observations
Mining Lease/License Fee	Rs.50,00034	Mines & Mineral Department	Some formula/basis for fee may be developed and for different phases of license
Mine Purchase Cost	Rs.21,000,000	Previous Land Owners	This reflects the incomplete market where the mine is "purchased" and not leased in full
Forestry Permit	N.A	N.A	Should be required
Environmental Permit	N.A	N.A	Should absolutely be required of all mines
Water Permit	Employment of 4 Persons in exchange of permit	Land owners	More investigation will be useful but a permit and Government monitoring should be in place
Other Permit	N.A	N.A	
Right of Way	800/truck	Local landowners	Typical
Surface Rent	N.A.	N.A.	Should be required
Business Tax	Annual 35% on all revenues	FRB (Income Tax Department)	Typical but MMDD should review as part of overall fiscal regime and how this relates to royalty payment
Income Tax for workers <sup>35</sup>	Rs.160,000/- (Average tax deducted from salaries )	FBR (Income Tax Department)	Typical but MMDD should review as part of overall fiscal regime and how this relates to royalty payment
Social Fund for workers	Rs.50,000 to 60,000/- (for 120 employees, average per month)	Employees Old Age Benefit Institute	Typical but MMDD should review as part of overall fiscal regime and how this relates to royalty payment
Royalty	1500 Rs/ton	Mines & Minerals Department	This is considerably more than reported by other similar operators
Import duty (equipment/supplies)	6% value of equipment/supplies	Collector of Customs	Government should assess whether any incentives may be developed here for mine operators
Sales tax	Monthly 17% based on all revenues	FBR (Sales Tax Department)	Typical but MMDD should review as part of overall fiscal regime and how this relates to royalty payment
Insurance	Rs.600,000 to 700,000 (premium per annum)	EFU General & Life Insurance	How obligatory is this requirement and do all mine operators insure their operations?
Transport	1,000 to 1,200 /ton	Local Transporters	This arrangement is typical but (1) is transport sufficiently monitored by

<sup>34</sup> As of July 25, 2013 \$1.00 = 101.2 Rupees

			Government for (10 worker health and safety? (2) Environment?
Performance Bond	N.A	N.A	Highly recommended to be included for all mine and quarry operations
Environmental Escrow	N.A	N.A	This should be a requirement for all mines and quarries no matter the size
Inspection Fees/Penalties	N.A	N.A	Ordinarily any mining operation would expect some inspection violations and therefore penalties
OTHER	N.A	N.A	Some formal obligation relevant to community development or other social contribution may be expected.
Informal Requirements	Amount	Paid to?	
Right of Way (local access)	Rs.70,000 to 80,000 (per annum)	Local land owners	Any informal payment should be reviewed by MMDD; there should not be informal payments as part of the mineral sector regime
Use of Land	Rs.300,000 to 400,000 (per annum)	Local land owners	Any informal payment should be reviewed by MMDD; there should not be informal payments as part of the mineral sector regime- this payment is effectively "surface rent" – MMDD should establish a clear formula for calculating surface rent to remove discretion.

### Appendix-3 Illustrative Review of Mine Investments in Balochistan

Topic	Chamaling Coal	Saindak	Reko Diq
Award of Rights	Under 2 local tribes: Lundi & Maree	International Tender (conducted as Auction)	International Tender (conducted as Auction)
License	BMDD lease issued to families Mine operators: Zamindar & Rafi Coal Company	Under "MCC" of China - Mining Lease – already 16 years	Under "TCC" - Mining Lease – has been difficult to implement with federal government interference
Type of Mining	Coal (bituminous) (underground)	Copper and gold	Copper and gold
Security	Baloch Army works in tandem		
Royalty	160rs/ton federal tax 570rs/ton "social royalty" to local family for security, schools, hospitals		Installation of 350km water lines
Royalty collection	Army collects; deposits into joint account with BMDD	Outsourced contractor collects	Outsourced contractor collects
Royalty expenditure			
Staffing	Approximately 30,000 miners (15,000 registered in UBI system) Average wage 7500-8000rs/month Senior and junior hostels provided	Approximately 335 local Approximately 50 Chinese	
Training	5200 students trained on project (4000 Maree of which 50 female)		Establishing an English language/computer center Earlier school graduated 20, now 51
Security	Is an issue; Maree tribe is paid to directly implement security; 1.5rs/month spent Army receives 25,000rs/month to run its offices		
Role of Provincial Government	Provides electricity, hospital No money directly in mine operations	Water is taken from the Talab; Government works with operator.	Working to establish technical training center with TCC



## Appendix-4 Summary Sheet: Illustrative Regulatory Issues

Issue	Why it Matters
Harmonization of Laws	To ensure clear “rules of the game” for all stakeholders
Definition of Mines	Very clear size, duration and scope of mining activities will frame expectations, rights and obligations
Investor Eligibility	What type and quality of investors is sought?
Award of Rights	Auction? Local ties? What are the “Rules of the Game?”
Number and Types of Licenses	Government must strictly administer licenses and must have capacity
Institutional Framework	Clear institutional roles and responsibilities helps investors, government and citizens understand governance of the sector
Environmental Requirements	Mining has detrimental potential for all aspects of environment; specifically detailed requirements guide protection requirements for all levels of mine investment
Social Impact & Mitigation	Public consultation essential to ensure mines can operate; clear rules of the game and government commitment to mineral revenue management builds national support and improves investor confidence
Land Use, Access	Investors need access to their areas but land owners/occupants require compensation, fair treatment
Overly-defined definitions of mineral categories	Simple clear legal regime minimizes opportunity for misinterpretation and confusion
Protection of citizens	Provisions can require use of citizens, ensure they are paid for use of land, have access to mining benefits
Royalty	Clarity for investors; currently some conflicting guidance
Transparency/Conflict of Interest	Legal commitment to transparency actions; conflict of interest requirements precluding certain officials from holding rights until after leaving office
Phases of Mining	Upstream, midstream and downstream aspects of mining all require careful assessment and legal guidance.
Monitoring mining	Reporting, safekeeping of cores and samples/License registries, public consultation
Suspension, Transfer, Cancellation of Rights	Critical issue for investors’ security of tenure – what are the conditions, approval processes, etc.
Infrastructure & Mine-related activities	Increasingly non-mining developments are impacting overall mining operations; should be addressed
Health & Safety, Use of Explosives	Rights, responsibilities, limitations should be clearly mentioned.

## **Appendix-5 Assessing the Balochistan and Khyber Pakhtunkhwa (KP) Mineral Policy Frameworks**

### **Consultations<sup>36</sup>**

#### **Balochistan MDD**

- Dr. Saeed Baloch, Director (Executive Support) MDD Balochistan
- Arif Shah, Chief Foreign Aid, Planning & Development Department, Balochistan

#### **Khyber Pakhtunkhwa (KP) MDD**

- Waheed-ud-din, Secretary Mines
- Mustafa Kamal Shah, Director General
- Farouq Iqbal, Director General
- Shakirullah Khan, Director Exploration
- Obaidullah Khan, Director Licensing
- Mustafa Kamal, Licensing
- Abdul Rashid, Chief Inspector Mines
- Fazal Hussain, Senior Inspector Mines
- Fazal Hussain, Senior Inspector Mines
- Irshad Afridi, Deputy Director, Mining
- Najeeb Khan, Deputy Director, Mining
- Zahid Ahmed, Deputy Director, Exploration
- Sajjad Ali, GIS Officer
- Syed Mustafa Kamal
- Yaqoob Nawaz Deputy Director, Technical
- Aurangzeb, Deputy Director

#### **Tribal Areas Chamber of Commerce**

- Rahatullah Khan President Chamber
- Dr. Yousaf Shah
- Rahim Shah
- Himmat Shah

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<sup>36</sup> NOTE: During the course of this assessment, provincial Government staffing in Balochistan and KP changed; some of the names and titles indicated may have now been changed.

- Hidayatullah Khan
- Haji Tamash Khan
- Adnan Kashif

#### **Civil Society/Private Sector**

- [REDACTED], Director, JDW
- [REDACTED], JDW, Managing Director
- [REDACTED] JDW, General Manager Accounts
- [REDACTED] Chief Executive, Indus Mining Company
- [REDACTED], Pakistan Stone Development Company, CEO
- [REDACTED], Ex chairman frontier mines owner's association
- [REDACTED], Techno Minerals
- [REDACTED], Marinalindustries
- [REDACTED] Hashwani group
- [REDACTED], private sector, Balochistan
- [REDACTED], private sector, Balochistan
- [REDACTED] private sector, Balochistan (ore, granite, marble)
- [REDACTED], Advocate
- [REDACTED], General Manager Accounts, JDW Group
- [REDACTED] Consultant
- [REDACTED], Mine Owners Association

#### **Minerals Working Group**

- Robert Webb, Facilitator
- Representatives from Sindh, Punjab



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