



ISLAMIC REPUBLIC OF PAKISTAN

NATIONAL MINERAL POLICY-2013



Government of Pakistan
Ministry of Petroleum and Natural Resources, Islamabad, Pakistan.

February 2013

Foreword

Implementation of the first National Mineral Policy (NMP) 1995 paved the way for an expansion of mining sector activity in Pakistan, as well as the improvement of the sector's investment attractiveness. Although the mining sector currently contributes less than 1% to Pakistan's GDP, recent discoveries have provided strong evidence of significant mineral deposits and a great potential for the sector to contribute much more to our economy.

Pakistan has a large base of industrial minerals and the growing interest from international mining companies carries great potential for the rapid development of the sector.

As we look to enhance the contribution of the sector to Pakistan's economic development, it becomes even more imperative for the Policy to reflect developments in the global mining sector since 1995, including legal, fiscal and environmental developments.

In view of these developments, a review of the NMP-1995 became necessary in order to ensure its alignment with contemporary practice and enhance the international competitiveness of Pakistan's mining sector.

The main challenges the new NMP-2013 seeks to address revolve around the following five broad themes:

- *Increasing the economic contribution of mining sector to Pakistan's economy through more private investment;*
- *Being competitive for scarce and mobile international capital for investment in the mining sector through a stable and enabling environment;*
- *Ensuring smooth operational and effective coordination between Federal and Provincial institutions in the implementation of the regulatory and legislative regime for the mining sector;*
- *Ensuring that exploration, development and production of Pakistan's mineral resources are environmentally sustainable; and*
- *Encouraging small scale mining and local private participation in the development of the sector.*

This new policy serves as a clear and detailed representation of our objective of improving the international competitiveness of our mineral sector. NMP-2013 seeks to provide the basis for addressing these and other challenges, as well as responding to important government priorities and commitments. For example, policy provisions to

cater for research development enhancement, human resource development, promotion and marketing are included in NMP-2013.

This Policy is a culmination of extensive consultation with all stakeholders. It represents a vital source of guidance to decisions on minerals in the context of Pakistan's sustainable development.

In changing times, the conversion of challenges to opportunities is very important. The Islamic Republic of Pakistan remains committed to the development of a prosperous Pakistani minerals industry. The NMP-2013 provides the Government with the direction and decision-making tools that will help to guarantee that the industry grows from strength to strength.

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February 06, 2013.

Mission and Vision

The Ministry of Petroleum and Natural Resources is entrusted with responsibility for policy formulation, provision of policy guidelines to the provinces and coordination of development of mineral sector of Pakistan in order to attract and sustain private sector investment.

Our vision for Pakistan's mineral sector is of a strong, vibrant and sustainable private sector-driven mining industry contributing significantly to our economic development.

Contents

1. Objectives of the Policy.....	1
2. Constitutional Position on Minerals	1
3. Consultative and Regulatory Framework	2
4. Mineral Investment Board (MIB)	5
5. Geological Survey of Pakistan (GSP)	6
6. Geo-Data Bank/Centre of Pakistan (GDGP)	6
7. Regulatory Regime	7
7.1. Objectives.....	7
7.2. Mineral Titles	7
7.3. Environment	8
7.4. Performance Guarantee	8
7.5. Rights Conferred	8
7.6. Termination	8
7.7. Grant of Mineral Titles to Foreign Nationals	8
7.8. Mineral Agreement	8
7.9. Dispute Resolution.....	9
7.10. Joint Application.....	9
7.11. Areas not available for grant of Mineral Rights	10
7.12. Competitive Bids	10
7.13. Public Notice of Grant of Mineral Title etc	10
7.14. Proprietary Rights over Data	10
7.15. Reporting Standards and Tenements.....	10
7.16. Restoration and Rehabilitation.....	10
8. Fiscal Regime	10
8.1. The Overall Fiscal Package	10
8.2. Accounting and Record Keeping.....	11
9. Royalty	11
10. Joint Ventures with Local Enterprises	11
11. Development of Infrastructure	11
12. Research and Development (R&D) Enhancement	11
13. Human Resource Development	12
14. Price Determination	12
15. Corporate Social Responsibility (CSR).....	12
16. Small-Scale Mining	13

17. Provincial Inspectorates of Mines	13
18. Linkages with other Sectors.....	13
19. Miscellaneous Matters	13
20. Implementation of National Mineral Policy	14
<i>Appendix-I</i> Taxes and Levies applicable to Mineral Sector.....	15-18

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1. Objectives of the Policy

The Federal and Provincial Governments of Pakistan are conscious of their responsibility for creating a favourable environment for an effective and vibrant mineral sector in Pakistan. The Federal and Provincial Governments are also cognizant of the need to keep pace with the changing international investment climate, and the important objectives which need to be satisfied in order to secure foreign and local private risk capital investment into the mineral sector.

The broad goals are to enhance the contribution of the mineral sector to the GDP by efficient and sustainable development of mineral resources through private sector investment for the benefit of the people of Pakistan. In order to achieve this goal, this National Mineral Policy aims to achieve the following:

- i) Enhancement and sustenance of revenue flow to the Provincial and Federal Governments;
- ii) Creation of an investment-friendly climate to enhance international competitiveness;
- iii) Optimization of exploration, development and exploitation of minerals;
- iv) Value-addition of minerals and growth of upstream & downstream sectors;
- v) Mitigation of adverse environmental effects of mineral development;
- vi) Generation of mass-scale employment and socio-economic uplift through enhanced skills, sustainable mineral development, technology transfer and regional infrastructure development;
- vii) Administrative restructuring and capacity building of federal and provincial institutions;
- viii) Generation of geological data, development of a national and provincial cadastre and provision of online accessibility to such data;
- ix) Ensuring safe mining operations and safety and security of investors;
- x) Rehabilitation/resettlement due to mining operations;
- xi) Pricing mechanism for minerals based on international best practices;
- xii) Contract agreements as per international standards; and
- xiii) Data sharing by federation with federating units.

2. Constitutional Position on Minerals

2.1 Minerals¹ other than nuclear minerals and those occurring in special areas [Federally Administered Tribal Areas (FATA), Islamabad Capital Territory (ICT) and International Offshore Water Territory (IOWT)] are a provincial subject under the Constitution. Provincial Governments/federating units are responsible for regulation, detailed exploration, mineral development and safety concerns in these operations, whereas geological/geophysical survey and mapping, national and international coordination and formulation of national policies and plans are federal responsibilities. In line with Constitution Article -172², the Federal and Provincial

¹ Subject of oil and gas will be governed under the Petroleum Policy notified by the Federal Government.

² “172. (1) Any property which has no rightful owner shall, if located in a Province, vest in the Government of that Province, and in every other case, in the Federal Government.

Governments jointly endorse this Policy, which provides for appropriate institutional arrangements, a modern regulatory framework, internationally competitive fiscal and regulatory regimes and a programme to expand Pakistan's geological database. This policy document also emanates from the Constitutional position as laid down in Articles 70 & 97.

The respective Government may, by notification in the official Gazette, make rules for the grant of mineral concessions/titles in respect of any mineral falling in its domain.

2.2 The provisions of this Policy clearly provide that the continued focus of all activities and decision-making will be at the Provincial level while the Federation would provide requisite support and advice to the Provinces to take up the challenges of achieving sustainable benefits from the development of mineral resources.

2.3 All federating units of the Islamic Republic of Pakistan commit to the minerals ownership structure and legislation in Pakistan as defined in the Constitution and this Policy.

3. Consultative and Regulatory Framework

3.1 The mining sector has many peculiarities of its own compared to other sectors (in particular, complex nature of the sector, long gestation periods, high risk capital investment in the exploration phase, large scale investment, etc.), thus requiring established consultative mechanisms for achieving optimal benefits of mineral resources. The Federal Government in close cooperation with the Provincial Governments in particular and all other stakeholders in general stands committed to achieve substantial input to the mineral sector by providing an investment-friendly regulatory regime. The Government of the Islamic Republic of Pakistan makes it a policy objective to further and strengthen the capacity of the policy implementers to plan and implement the National Mineral Policy.

3.2 Mineral Investment Facilitation Authority

Mineral Investment Facilitation Authorities (MIFAs) are to be established at both Federal and Provincial level as mandatory bodies provided for in the Federal/Provincial Mining Concession Rules in their respective jurisdiction.

3.2.1 Provincial Mineral Investment Facilitation Authority – MIFA(P)

MIFA(P) will be headed by Chief Minister of the Province with a Vice-Chairperson and members as decided by the respective Provincial Government. In the absence of the Chairperson, the Vice-Chairperson will preside over the MIFA meeting. The functions of MIFA(P) will be defined by the respective provinces.

3.2.2 Federal Mineral Investment Facilitation Authority – MIFA(F)

MIFA(F) will be constituted at the federal level to deal with federally controlled areas as per following composition:-

Secretary, Ministry of Petroleum and Natural Resources	Chairperson
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(2) All lands, minerals and other things of value within the continental shelf or underlying the ocean beyond the territorial waters of Pakistan shall vest in the Federal Government.

(3) Subject to the existing commitments and obligations, mineral oil and natural gas within the Provinces and the territorial waters adjacent thereto shall vest jointly and equally in that Province and the Federal Government.”

Additional Secretary (Natural Resources), Ministry of Petroleum & Natural Resources	Vice-Chairperson
Additional Secretary, Planning & Development Division	Member
Additional Secretary, Finance Division	Member
Additional Secretary, Ministry of States & Frontier Regions	Member
Director General, Pakistan Environmental Protection Agency	Member
Chairperson of Federal Mineral Development Corporation	Member
Representative of Pakistan Mine Owners' Association.	Member
Representative from Academia (relevant Universities)	Member
Director General (Minerals), Ministry of Petroleum & Natural Resources	Member/Secretary

MIFA(F) may co-opt or request the presence of a representative of any Government department or stakeholders for a particular meeting. A Secretariat of MIFA(F) will be established in Mineral Wing of Ministry of Petroleum & Natural Resources/Petroleum House, Islamabad.

3.2.3 The following functions of MIFA(F) would be only for the federally administered areas whereas respective Provincial Governments/federating units will define their own functions for their respective jurisdictions:

- i. Monitor and direct mineral related activities and programmes of the respective Government/federating unit and public sector on a regular basis;
- ii. Act as a facilitator to all stakeholders and provide a one-window permitting and approval operation to mining companies proposing large scale projects;
- iii. Review and ensure compliance by the respective Government/federating unit with mineral/project agreements;
- iv. Carry out periodic review of implementation of the regulatory and fiscal regimes and functioning of the mineral administration set-up in the federating units/federation;
- v. Introduce measures for promoting the manufacture and use of local goods and services, thus creating opportunities for industrial development and appropriate education and training of locals in modern mining skills;
- vi. Evaluate and if appropriate, promote the establishment of secondary and tertiary mineral processing facilities within the country, subject to environmental, social and economic viability;
- vii. Arrange and approve mineral portfolios for attracting private investment; and
- viii. Carry out any other function assigned by the respective Government/federating unit.

3.2.4 MIFA(P) may also request, if considered necessary, participation or assistance of the Federal Government in negotiation of mineral agreements or project development agreements by the Provincial Government with foreign mining companies. However, a record of such agreements will be maintained at federal level as well as at respective provincial level.

3.3 Federal/Provincial Mineral Sector Structure

3.3.1 The Federal Government will continue to strengthen the federal mineral sector through administrative restructuring, where needed, of federally controlled areas/territories (FATA, ICT and International Offshore Water Territories) on the analogy of Policy Wing of the Ministry of

Petroleum and Natural Resources. Necessary amendments will be made in rules/laws to place the mineral sector of FATA, ICT and International Offshore Water Territories under regulatory control of Ministry.

3.3.2 Provincial Governments/federating units would inter-alia perform the following functions:-

- i. Planning and regulation of Mineral Resources Development;
- ii. Consideration of applications and grant of mineral titles;
- iii. Regulating and monitoring of mining operations and activities in the mineral sector, including collection of royalties;
- iv. Negotiating mineral agreements and consulting the Federal Government where considered necessary by MIFAs;
- v. Facilitating access to private or public lands and reserve forests and resolution of issues with other public department functionaries for the purpose of exploration or development of mineral resources;
- vi. Maintenance of updated digitized Cadastre showing positions of all mineral titles granted, renewals, assignments and surrenders thereof, relinquishment of acreage etc. and making this information public through regular publication of complete details in the official gazette;
- vii. Ensuring safety, health and welfare of miners;
- viii. Re-structuring aimed at bringing under one umbrella the functions of Directorate General of Mines & Minerals, Inspectorate of Mines, Mines Labour Welfare Organization, all labour laws including coordination with ILO, environmental issues, Electricity Act, Explosives Act and Boilers Act, constituting various boards and committees under statutes on tripartite basis including MIFA;
- ix. Undertaking applied research;
- x. Establishing warehouses of machinery and equipment and also adopting measures for seeking franchise for indigenous manufacture of machinery;
- xi. Undertaking skills development and gainful employment of geo-scientists in the country;
- xii. Ensuring conservation of mineral resources;
- xiii. Mitigating the adverse impact of mining on the environment;
- xiv. Ensuring sustainable development;
- xv. Development of infrastructure;
- xvi. Facilitating the small-scale mine operators in the development of their mines on scientific practices;
- xvii. Facilitating the mine operators in the transfer of technology;
- xviii. Ensuring capacity building/HRD of the geo-scientists engaged in Government departments and that of stakeholders; and
- xix. Coordination among all related departments within Federal government, provincial governments, federating units and stakeholders.

3.3.3 Licensing Directorate/Licensing Division.

3.3.3.1 A Licensing Directorate/Licensing Division shall be established within the Ministry of Petroleum and Natural Resources and the Provincial Directorates General of Mines & Minerals to deal with their respective domain.

3.3.3.2 Capacity of the Federal and Provincial Directorates will be enhanced by:

- a) Recruiting qualified and experienced staff in various disciplines of mineral exploration, development, environmental protection, mineral economics and law;
- b) Imparting practical on-the-job training in large mines/mineral processing plants;
- c) Sending staff abroad for short and long duration courses in mineral development, management of regulatory regime, general management functions, mineral economics, including minerals sales contracts, protection of environment and socio-economic development of mining areas and regulation of mineral agreements.

3.3.4 Exploration & Coordination Directorate/Exploration Promotion Division

An Exploration & Coordination Directorate will be established at Federal level, while Exploration Promotion Divisions will be established in the respective Provincial Departments, Directorates General of Mines and Minerals. These entities will:

- i) Provide competent interface with teams of international investors;
- ii) Generate their own geo-data and carry out geological mapping of priority areas, identify mineral prospects with or without assistance from Geological Survey of Pakistan (GSP) and donor agencies for exploration promotion;
- iii) Compile, evaluate and disseminate geo-data and make available geological and geographical maps and serve as sales point for GSP publications, maps and reports;
- iv) Provide advisory services to industry;
- v) Feed and receive all critical geo-data to or from the Geo-data Centre of Pakistan;
- vi) Carry out research and development, for which an agreed portion of royalty would be dedicated; and
- vii) Participate in the international mineral related events, seminars, workshops and road-shows for promotion of mineral sector of Pakistan.

3.3.5 Mineral Exploration & Development Fund

The Federal Government will create a fund with the objective to accelerate the exploration and development of mineral resources through the introduction of mechanization and latest mining techniques. The proposed fund would be allocated to the Provincial Governments with definite targets for the development of mining sector.

4. Mineral Investment Board (MIB)

4.1 The Federal Government recognizes its role in the development of mineral resources, not only in the context of fiscal policies but also in international contacts with donor agencies and negotiation of mineral agreements. A Mineral Investment Board (MIB) will be established as a consultative forum. The composition of MIB will be as follows:

Prime Minister	Chairperson
Federal Minister for Petroleum & Natural Resources	Vice-Chairperson

Governor, Khyber Pakhtunkhwa or his representative	Member
Chief Minister, Punjab or his representative	Member
Chief Minister, Sindh or his representative	Member
Chief Minister, Khyber Pakhtunkhwa or his representative	Member
Chief Minister, Balochistan or his representative	Member
Prime Minister of AJK or his representative	Member
Chief Minister, Gilgit-Baltistan or his representative	Member
Federal Minister for Finance	Member
Federal Minister for Special Areas (States & Frontier Regions)	Member
Chairman Board of Investment	Member
Deputy Chairman Planning Commission	Member
Secretary, Ministry of Petroleum & Natural Resources	Member/Secretary

The Board while performing the chartered functions may form committee(s) to deal with specific issues. In the absence of the Chairperson, the Vice-Chairperson will preside over the MIB meeting. MIB shall meet at least once in a year. The Mineral Wing, Ministry of Petroleum and Natural Resources will act as Secretariat of the Board.

4.2 MIB may recommend the relevant authorities on appropriate actions to:

- i. Encourage the flow of investments into the mineral sector, review proposals for its enhancement and make recommendations to the concerned agencies;
- ii. Assist the Provincial Governments in selection/preparation of suitable mineral sector portfolios for introduction by the provinces to donor agencies and investors;
- iii. May recommend on fiscal and taxation policies, provincial and federal tariff for the mineral sector to enhance its international competitiveness;
- iv. Establish annual priority of geosciences mapping and surveys based on requirements of industry and priorities advised by the MIFAs;
- v. Assist the Provinces in the development of skilled manpower and infrastructure as per their priorities by arranging financial assistance including foreign/donor assistance;
- vi. Resolution of disputes arising between investors and federating units where enforcement of bilateral/multilateral commitments of GOP is involved; and
- vii. Any other matter, with consensus, can be considered by the Board.

4.3 The Board may co-opt any member for any professional or expert input required in a particular meeting or for a period as determined by the Board.

4.4 The MIB scope can be amended/expanded as and when considered necessary and agreed to by this inter-Provincial consultative forum.

5. Geological Survey of Pakistan (GSP)

5.1 Availability of geological, geophysical and geochemical maps and reliable geodata are a prerequisite to large-scale mineral exploration. Geological Survey of Pakistan (GSP) is charged with this responsibility and has also competent manpower available to undertake the same. GSP will be strengthened as the central organization for geological, geophysical and geochemical mapping, geodata generation and research.

5.2 GSP will concentrate on the following functions:

- i. Expediting publication of geological, geophysical and geochemical data and maps already available. GSP will not be required to obtain clearance from other agencies such as Survey of Pakistan or the Printing Corporation of Pakistan;
- ii. Producing 1:250,000 and 1:50,000 geological maps supported by reports, for the whole country commencing with priority areas as identified by the provinces/federating units;
- iii. Operating an open-file system so that unpublished raw data is also made available to the investors on fee-paying basis;
- iv. Undertaking fast track integrated geological, geophysical, geochemical and tectonic surveys, generating and disseminating basic data on potentially prospective areas as per priorities determined by MIFAs;
- v. GSP will not undertake any commercial activity other than the functions allowed under its charter without consent of respective Provincial Government/federating unit;
- vi. Executing mutually agreed collaborative projects with private sector and Provincial Governments if approved by MIFA, on cost-reimbursable or sharing basis;
- vii. Sharing of all relevant geological data with the provinces; and
- viii. Helping the provinces/federating units in generation of geological data.

The Ministry of Petroleum and Natural Resources will develop a mechanism for the monitoring and technical auditing of the targets assigned to GSP.

6. Geo-Data Bank/Centre of Pakistan (GDCP)

6.1 A Geo-data Centre of Pakistan (GDCP) will be established in the Mineral Wing of Ministry of Petroleum & Natural Resources with the support of donors and Federal Government. The federating units shall have representation in management/decision-making forum of GDCP, besides having access to the Data-Bank.

6.2 The GDCP will perform the following functions:

- i. Collecting, storing, updating, managing and disseminating geo-data in a standardized system to the Provinces and the industry;
- ii. Creating a centralized digital map production and distribution facility;
- iii. Arranging on-the-job training in geo-data management and data automation;
- iv. Selling maps and publications; and
- v. Establishing close links with Provincial Departments of Mines & Minerals, Survey of Pakistan, Pakistan Water and Power Development Authority (WAPDA), the national Oil and Gas Company (OGDCL), Directorate General of Petroleum Concessions (DGPC), Directorates General of Oil and Gas, Oil and Gas Regulatory Authority and other geological exploration companies for sharing information on various kinds of geological/geophysical surveys, drilling logs with interpretation thereof as a mandatory requirement to this Centre through the respective government.

7. Regulatory Regime

7.1. Objectives

The 2002 Provincial Mineral Concession Rules, which flowed out of the 1995 National Mineral Policy, were a positive step towards modernizing the existing regulatory regime. This Policy extends the Government's drive to ensure the modernization of the mining sector regulatory instruments. This will be done by the Federal Government and federating units remaining in their respective domain and requirements, in addition to other measures, through the following:

- Providing for mineral titles to be granted or renewed for sufficient periods to allow for the full commercial exploration, development and exploitation of any mineral deposit by the mineral title holders;
- Eliminating discretionary powers, provide time frames and ensuring simplicity of procedures and transparency of decisions; and
- Updating the mining laws to deal with international mining practices in Pakistan such as open pit mining and working practices.

7.2. Mineral Titles

Mining Concession Rules will provide the following mineral titles:

Small-Scale Mining:

- Mineral Permit;
- Exploration/Prospecting License; and
- Mining Permit/Lease.

Large-Scale Mining:

- Reconnaissance License;
- Exploration License;
- Mineral Deposit Retention License; and
- Mining Lease.

Subject to fulfillment of other determining criteria, the principle of first-come-first-served would be generally followed for grant of concessions for small-scale mining and for large-scale mining, the respective authority shall prescribe merit based criteria.

7.3 Environment

With the increasing focus on the environment and international obligations, Pakistan, in common with other countries, wishes to pursue an approach of sustainable development consistent with environmental priorities. Companies will be expected to ensure that their mining operations are carried out in an environmentally acceptable and safe manner and that such operations are properly monitored. To ensure that the mineral resources development activities are undertaken in an appropriate manner, environmental stewardship needs to be incorporated throughout the development process. This can be achieved through:

- i. Implementation of the regulatory environmental management measures including Environmental Impact Assessment, as well as environmental management system, plan and audit;
- ii. Compliance with the national environmental protection law and other appropriate

- national and international standards, codes, guidelines and policies;
- iii. Ensuring effective implementation of progressive post-mining rehabilitation;
- iv. Promoting the recovery, recycling and reuse of minerals, metals and mineral-based products;
- v. Ensuring the implementation of effective mine waste management measures; and
- vi. Promoting and disseminating information on the use of best mining practices, public disclosure and corporate social responsibility (CSR).

7.4 Performance Guarantee

An applicant for grant or renewal of a mineral title will be required to provide, at the time of grant or renewal, a guarantee in a form satisfactory to the Licensing Authority, to ensure performance of the mineral-title holder's obligations.

7.5 Rights Conferred

The holder of a mineral title, subject to payment of dues and compliance with other prescribed obligations, shall have certain exclusive rights under the title including, for example, the right to enter upon the licensed/leased area (subject to the rights of surface owners) and to carry out reconnaissance/prospecting/exploration/mining operations in accordance with the terms of the mineral title and applicable laws and to remove the ore/concentrate from the licensed/leased area. Detailed rights and obligations of the mineral title holder will be spelt out in the law governing the grant of mineral titles.

7.6 Termination

A mineral title will only be terminated on the occurrence of certain specified events, for example, breach or non-performance of the terms, bankruptcy of the title-holder, misrepresentation etc. The events will be specified in the relevant Rules.

7.7 Grant of Mineral Titles to Foreign Nationals

Foreign companies will be free to apply, however, no mineral title will be given until the foreign company is incorporated locally.

7.8 Mineral Agreement

7.8.1 The Provincial Governments may enter into an agreement with an investor, within the framework of the law, to define the terms or to predetermine procedures with respect to certain matters relating to the carrying out of operations under license/lease, if government is satisfied that substantial foreign investment in exploration and mining operations is likely to be made and it is desirable in the interest of the development of mineral resources, to do so. The Federal Government may also become signatory to such an agreement, if so requested by a Provincial Government, after independently examining viability of the project and credit worthiness of the party. When the Federal Government is requested, the terms of such mineral agreement would be mutually agreed between the Federal Government, the respective Provincial Government and the mining company.

7.8.2 In order to facilitate negotiations, the Federal Government will develop a model mineral agreement designed to provide additional comfort to a mining company and its lenders. The model mineral agreement will contain terms, including without limitation, with respect to the

application, grant, duration, renewal, assignment and termination of mineral titles and the rights and obligations of mineral title holders that will protect the economic feasibility of the project and stabilize the legal and fiscal regimes (taxes, fees and royalties) which the mining company will be subject to over the life of the project with necessary protection to the mining company in the event of changes thereto. This will allow the mining company and its lenders to make the necessary investment decisions. The model mineral agreement shall form the basis of negotiations with a mining company for a mineral agreement and may be varied for project specific reasons on a case to case basis to deal with project specific issues. The Federal Government will stand as guarantor of the Provincial Government's obligations, if so requested by the latter.

The existing Mineral Rules will be amended to remove any conflict/overlapping with or other effect on, and to give effect to, the rights and obligations of the mining company under the mineral agreement in line with best international practices and in the meantime, the respective Government shall pass an appropriate order through a notification under the applicable law exempting the class of minerals or the specific minerals covered by mineral agreements from the application of the relevant provisions of the Mineral Rules until the same are amended, such government will also give protection to the incentives and concessions given to mining companies under a mineral agreement through statutory amendments principally in line with those of the mineral sector.

The mineral agreement would have an overriding effect in case anything contained therein is inconsistent with any law or rules subsequently amended.

7.9 Dispute Resolution

Any question or dispute between a foreign mining investor and the Government arising out of or in connection with the terms of an agreement or of a granted mineral title shall be settled amicably where possible. Failing an amicable settlement within a reasonable period, such dispute shall be submitted to the procedures for sole expert determination or arbitral or other tribunal agreed in a mineral agreement or, where there is no such agreement or such agreement does not specify a tribunal, to the International Centre for Settlement of Investment Disputes (ICSID) or International Chamber of Commerce (ICC) for arbitration. The respective Government will pass such legislation as is necessary to provide for the effective enforcement in Pakistan of foreign arbitral awards. Disputes between the Government and a mining company of which the majority of the ultimate parent company's shareholders are Pakistani nationals will be settled by arbitration in Pakistan under the provisions of the Pakistan arbitration laws.

7.10 Joint Application

A mineral title may be granted jointly to two or more persons with respect to an area where such an application is made jointly and the liability of the applicants under the mineral title in such a case will be joint and several.

7.11 Areas not Available for Grant of Mineral Rights

7.11.1 Mineral rights over areas of historical interest, national or public parks and gardens, cemeteries, defence sensitive/strategic sites etc. or such other areas as may be specified, will not be available. The Governments will identify all such areas so that prospective investors are aware at the time of filing their applications whether the area applied for is available for grant of a

mineral title.

7.11.2 In the event of discovery of any radioactive mineral and/or minerals required for generation of nuclear energy, the concessionaire/title-holder shall have no right over the mineral(s) so discovered and it shall comply with such instructions as may be given from time to time by the Government of Pakistan.

7.12 Competitive Bids

The Licensing Authority may award mineral title having proven reserves through a transparent process of competitive public bids or sealed tenders duly publicized in the national or international press.

7.13 Public Notice of Grant of Mineral Title etc.

Notice of all grants, renewals, assignments, surrender and revocation of mineral titles and relinquishment of acreage will be published promptly in the Official Gazette, with details of the area and of the companies to whom mineral title/assignment etc. is granted. However, copies of all such grants, renewals, refusals, assignments, surrenders and revocation of mineral title shall be supplied to Geo-data Centre concerned.

7.14 Proprietary Rights over Data

All geo-data obtained by a mineral title holder shall be a property of the Licensing Authority and shall be deposited at such offices and at such intervals as are specified in the Rules.

7.15 Reporting Standards and Tenements:

Mineral title holders shall estimate/evaluate mineral reserves in accordance with International Reporting Standards i.e. Australasian Joint Ore Reserves Committee (JORC) etc. for provincial and national inventory of mineral resources. The national cadastre will maintain a digitized record of resource inventory and tenement registry. The resource inventory will be in accordance with the latest version of the United Nations Framework Classification (UNFC) system showing reserves and remaining resource. The tenement registry will give information of both granted and free-hold areas in terms of green-fields and brown-fields. Updated data would be maintained online for instant information to prospective investors. Summaries of work done by public agencies will be kept in the metadata format in the public domain and detailed reports will be made available to interested investors on cost recovery basis.

7.16 Restoration and Rehabilitation

Mineral-title holders may be obliged under the agreement with Government to carry out adequate restoration including landscaping to turn the mine site to the original position as far as possible.

8. Fiscal Regime

8.1. The Overall Fiscal Package

8.1.1 Mining activities being carried out in Pakistan are mainly through small scale mining by sole proprietorships, association of persons (partnerships) and in certain cases by private limited liability companies. Medium and large scale mining activity in the country has been carried out by private limited and public limited companies including non-resident (foreign) companies.

8.1.2 Government, within the context of the taxation and other relevant laws, would design fiscal measures conducive to the promotion of mineral exploration and development including beneficiation and other forms of product refinement. In view of the changing mineral scenario and challenges linked with large-scale mining, both at the national and international level, fiscal regime will be reviewed from time to time consistent with the general tax structure.

8.1.3 Various kinds of taxes/levies applicable to the mineral sector are listed in Appendix-I and will be subject to revision from time to time by the respective governments.

8.2 Accounting & Record Keeping

Efforts will be made through seminars and conferences to encourage the mining community/investors to prepare their financial statements in accordance with International Financial Reporting Standards.

9. Royalty

Rate of royalty for minerals will be determined by respective government from time to time and changes will be notified to other provinces/federating units and the Federal Government.

10. Joint Ventures with Local Enterprises

The Governments will encourage joint ventures between foreign and local private investors. In addition to royalty, the relevant Government will be entitled to participate in the project in the form of a negotiated equity, participating interest, enhanced royalty rate or such other structure as agreed to by the Government and the mining company.

11. Development of Infrastructure

Due regard shall be given to the following areas of activity leading to the development of infrastructure in the mineral bearing areas/regions. Mechanisms will be developed to provide infrastructure support in special circumstances and under certain terms and conditions such as:

- The provision of required water rights for mining operations/projects; and
- The development of roads, provision of electricity, facilitation through water supply, labour colonies, medical and education.

Both the Federal and Provincial Governments will undertake measures for developing infrastructure to facilitate investment in the mineral sector on Build, Operate & Transfer (BOT) basis or other modes.

12. Research and Development (R&D) Enhancement

The concerned Departments of the federating units and Mineral Wing of the Ministry of Petroleum & Natural Resources through necessary skills development will carry out economic and legal analysis for the Federal & Provincial Governments mineral sectors to safeguard their interests. Research and development in the mineral sector has to cover the entire activities from geological survey, exploration, mining, beneficiation, concentration of minerals to development of materials. Efforts will be focused towards the development of new technologies for conversion of existing mineral resources into viable economic resources. Indigenous technology would be upgraded through research and adoption of technological innovations abroad. Efforts will also be

directed to evolve low capital and energy saving processing systems.

R&D will be enhanced through:

- i) Creation of R&D revolving fund by Federal Government;
- ii) Promotion of regional and international collaboration;
- iii) Protection of intellectual property rights and commercialization of R&D findings; and
- iv) Strengthening partnerships and fostering cooperation amongst government, industry and academic institutions.

12.1 Research in Mining Methods

Research and development thrust shall be directed towards rock mechanics, ground control, mine design engineering, equipment deployment and maintenance, energy conservation, environmental protection, safety of operations and human engineering.

12.2 Mineral Processing & Beneficiation

Research organizations will be strengthened for development of processes for beneficiation and mineral elemental analysis of ores and ore dressing products. There shall be cooperation between and coordination among all organizations in public and private sector engaged in this task. Local value-addition will be encouraged to promote upstream & downstream industries.

13. Human Resource Development

A qualified and productive workforce for advancement of the mineral industry will be created through:

- i) The design, formulation and promotion of relevant training and educational programmes through Technical Education & Vocational Training Authority (TEVTA);
- ii) The provision of adequate scholarships, grants, bursaries, loans and other incentives by the respective Governments;
- iii) The implementation of re-training and skills upgrading programmes and refresher courses;
- iv) Capacity enhancement for contract negotiations with regard to mineral concessions, particularly the international pricing trends, consumption patterns and cost of extraction etc.; and
- v) Fostering collaboration amongst local and international public and private sector organizations through respective governments.

14. Price Determination

The competitiveness of the mineral sector in a global economy requires effective price determination by respective government.

15. Corporate Social Responsibility (CSR)

15.1 Mining companies would contribute an amount as determined by respective government

annually towards the social uplift of the local population through establishment and self-sustained maintenance of community improvement projects such as schools, dispensaries, supply of drinking water or upgrades of local roads etc., and would participate in Government efforts to sustain the development level of mineral bearing areas on depletion of the mineral resource.

15.2 The respective Government will collect this contribution and spend on the welfare projects prepared in consultation with local representatives of the area/region. Out of such contributions, training shall be provided to Pakistani employees and Government officials by foreign and local mineral exploration and production companies.

16. Small-Scale Mining

In small-scale mining, preference will be given to Pakistani nationals or as decided by the respective government.

17. Provincial Inspectorates of Mines

In recognition of the links between safety and the production of minerals, Inspectorates of Mines will be established and charged with the responsibility for ensuring that acceptable safety and health standards are established and practiced in Pakistan's mining sector.

Specifically, the Inspectorates of Mines will carry out the following programme:

- a) Enhancing health and safety measures in mining operations and effective implementation of a Mine Safety & Health Management Plan;
- b) Providing training in the area of health and safety laws, use of explosives, electricity; and
- c) Research and development for improvements to the safety and health of the mining workforce, such as in finding substitutes to the use of timber in mining operations.

18. Linkages with other Sectors

18.1 In order to develop skills in various mining disciplines, companies involved in medium and large-scale mining operations and academia will be required to provide a specified number of facilities for technical education and on the job training, either in Pakistan or abroad.

18.2 In order to develop meaningful backward and forward linkages with other sectors of the economy, mining companies will be required to utilize Pakistani goods and services in their operations, to the extent available on competitive basis with international supplies. Secondary and tertiary processing of the ores within Pakistan will be encouraged.

19. Miscellaneous Matters

19.1 Protection of Foreign Investment

Foreign private investment in Pakistan for the development and extraction of mineral resources is not only protected but the repatriation of original investment and profits earned thereon is guaranteed as:

- (i) The Protection of Economic Reforms Act 1992 provides that no foreign industrial or commercial enterprise established or owned in any form by a foreign or Pakistani

investor shall be compulsorily acquired or taken over by the Government; and

- (ii) The Foreign Private Investment (Promotion and Protection) Act, 1976 guarantees that a foreign investor in an industrial undertaking may at any time repatriate capital and profits. The mining sector will equally have this protection.

19.2 Insurance

Mining operators will be encouraged to insure their assets and risks with international insurance companies.

20. Implementation of National Mineral Policy

20.1 The respective Federal and Provincial Ministries/Departments will take all administrative measures and amendments to the relevant mining, fiscal and other laws to give full effect to the provisions of this Policy. This will be done mainly by making the appropriate amendments in the Regulation of Mines & Oilfields and Mineral Development (Government Control) Act, 1948 and related rules and regulations.

20.2 Mining companies presently operating in Pakistan can opt for the Policy terms; where mining companies have existing agreements with the Federal Government or Provincial Government, if the mining company so elects, such Governments will concur to amend their agreements to bring the same in conformity with the Policy.

20.3 The Federal Government/Provincial Governments/federating units acknowledge that continuous evaluation and review is important for the successful implementation and updating of this Policy. In this regard, the Policy Review meetings will be held twice a year. The Mineral Wing of Ministry of Petroleum & Natural Resources will act as Secretariat for coordination with the federating units and issue periodic progress reports on the implementation of the Policy. A Committee comprising the following shall review/monitor implementation progress:-

Secretary, Ministry of Petroleum & Natural Resources:	Chairman
Secretary, Ministry of States & Frontier Regions	Member
Chief Secretaries of federating units:	Members
Director General (Minerals), M/o Petroleum & Natural Resources:	Member/Secretary

20.4 In implementing this Policy, the Government will take into account appropriate internationally established standards and Pakistan's international commitments to sustainable development and trade agreements. Pakistan will promote the Policy's objectives both domestically and internationally, by working bilaterally and multilaterally with other countries and through international organizations, such as the United Nations and other agencies. The Federal Government shall form a close working relationship with the federating units, the private sector and other stakeholders in implementing the National Mineral Policy towards the successful and beneficial development of the nation's mineral resources.

Appendix-I

TAXES AND LEVIES APPLICABLE TO MINERAL SECTOR

1. Income Tax

1.1 Rate of Corporate Tax

The Government embarked upon a progressive reduction in the effective rate of corporate tax. The applicable rate of tax as regulated under the Income Tax Ordinance, 2001, is 35% for companies.

1.2 Minimum Corporate Tax

A minimum amount of corporate tax is payable annually at the rate of 1.0% of the declared turnover by resident companies. However, where the corporate tax payable exceeds this amount in any year, the minimum tax is not charged.

1.3 Exemption from taxation on refining or concentration of mineral deposits:

Exemption from taxation on profits from refining or concentrating mineral deposits is also allowed at the rate and for the period prescribed under tax laws.

1.4 Pre-commencement expenditure

Expenditure incurred before commencement of business including feasibility studies etc., is also allowed to be amortized on a straight line basis at the specified rates.

1.5 Development Expenditure Deduction and Loss Carry Forward

Expenditure incurred on exploration operations qualifies for immediate deduction in the determination of taxable income. Expenditure incurred for project development operations will be allowed deduction at a rate of 25% per annum, in line with international practice. However, the depletion allowance will be allowed as per provision of current tax laws.

1.6 Ring-Fencing

A mining company will be assessed for income tax on the entirety of its mining operations in Pakistan.

2. Withholding Taxes

2.1 Dividends

Except where lower rates are specified in the Avoidance of Double Taxation Treaty with the country of the recipient, the withholding tax levied on dividends paid is 10%.

2.2 Non-Resident Contractors

The rate of withholding tax is 6% on payments made either in full or part to a non-resident on the execution of a contract or sub-contract under a construction,

assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such project.

The tax collected shall be a final tax if the contractor furnishes on option under clause (4) of the Part-IV of the Second Schedule to the Income Tax Ordinance, 2001.

2.3 Interest

Interest paid to non-residents in respect of availed approved loans is exempt from withholding tax.

2.4 Royalty & Fee for Technical Services

Tax @ 15% shall be deducted from the gross amount paid to a non-resident person on account of royalty and fee for technical services.

3. Other Taxes

3.1 Sales Tax

Mining companies shall be liable to pay general sales tax at the rate prescribed by the Government from time to time.

3.2 Additional Profits Tax (APT)

An Additional Profits Tax is payable by large scale mining companies at agreed rates based on the economic projections as stipulated in the agreement with the Government.

The APT will be determined based on a three-tier mechanism and will be payable only when the mining project achieves the agreed threshold level of profitability. The three-tier mechanism is summarized below:-

Rate of Return (ROR) Threshold	Resource Rent Tax (RRT) Rate
15%	10%
20%	15%
25%	18%

APT will only be paid if the mining project earns an after-tax real (i.e. inflation – adjusted) rate of return of 15%. The second and third tiers of RRT become payable once the profitability levels exceed 20% and 25% respectively.

4. Other Levies

4.1 Zakat

Zakat is withheld from every Muslim who is not only a citizen of Pakistan but also 'sahib-i-nisab', at 2.5% of the value of the assets held on the first day of the month of Ramadan.

Non-Muslims and non-resident shareholders of a company are exempt from the requirement to pay Zakat on dividends.

4.2 Workers Profit Participation Fund (WPPF)

A levy is payable to the Trustees of WPPF at an agreed percentage of net profits as per accounts for the year by companies and associations of persons with more than 20 members (partners) engaged in industrial undertaking, and employing 50 persons or more, whose paid-up capital is Rs2.00 million or more and/or the fixed assets are Rs4.00 million or more.

4.3 Workers Welfare Fund (WWF)

A levy is payable by companies engaged in industrial undertaking at an agreed percentage of the taxable income of the year where such income is Rs500,000 or more.

4.4 Workers Children Education Cess

This is a provincial levy payable in every quarter by an establishment employing 20 workers or more at Rs25 per worker per quarter, except in case the employer has made arrangements for the education of children of his/her workers or cess/excise duty is paid under the Excise Duty on Minerals (Labour Welfare) Act, 1967.

4.5 Employees' Social Security Contribution

This is a provincial levy requiring every employer employing ten or more workers with wages up to Rs7,000 per month to pay Rs370 per wage earner including Rs20 contributed by the wage earner per month to the Employees' Social Security Institution while the workers and their family members are provided free medical treatment, maternity benefits and other assistance.

4.6 Employees' Old-Age Benefits

Every employer employing ten or more persons is to contribute 6% of their salary up to a maximum of Rs210 per month to the Employees' Old Age Benefits Institution in respect of each employee, including Rs30 per month contributed by such employee who will be entitled to old-age pension on attaining the age of 55 & 60 years in the case of women and men, respectively.

4.7 Excise Duty on Minerals:

All dispatches of specified minerals from mines are subject to levy of a cess/duty of excise at the notified rate from one to five rupee per ton, meant for financing measures for promoting the welfare of labour employed in the mining industry.

4.8 Surface Rent & Compensation

The respective Government will ensure adequate access and freedom to the mineral title holder to carry out the prospecting, exploration, exploitation and processing

activities etc. while the mineral title holders will provide fair surface rent and compensation to the landowner as prescribed under the mineral concession rules.

5. Concessions on Imports

5.1 For Mining Companies and Mineral-based Industry

There is no customs duty and sales tax on the import of machinery, equipment, materials, specialized vehicles (4x4 non-luxury), accessories, spares, chemicals and consumables meant for mineral exploration phase. These concessions are applicable to Mineral Exploration and Extraction Companies or their authorized operators or contractors who hold permits, licenses, leases and who enter into agreements with the Government of Pakistan or Provincial Government, subject to the condition that imported goods shall not be sold or otherwise disposed of without prior approval of the Federal Board of Revenue and payment of customs duties and taxes levy-able at the time of import.

However, customs duty at the rate of 5% ad-valorem with no sales tax is payable on import of such machinery meant for the mine construction phase or extraction phase, with the added advantage of entitlement for deferred payment of duty for a period of five years subject to 6% surcharge per annum.

5.2 For Local Manufacturers of Mining Machinery

In order to encourage local manufacture of machinery and equipment needed by the mining industry, raw material will be subjected to customs duty at the rate of 10% with 15% sales tax but on components and machinery customs duty at the rate of 10% with no sales tax, will be levied if imported by local manufacturers for mining machinery and equipment for mining operations only.

ABID SAEED
Secretary