Extractive Industries Value Chain

Mine Sector Governance

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Extractive Industries Value Chain: **Mine Sector Governance**

**Mine Sector Governance Objectives**

- **Predictability** in how mining operations are awarded and implemented; clear and coherent approaches
- **Transparency**: disclosure of information, accounting
- **Balancing and Protecting interests**: mine development and citizen interests
- **Clarity**: institutional roles and responsibilities
- **Facilitation of financial gain** for investors and the country

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**Responsibilities for Mine Sector Governance**

**National Government** – leadership for overall governance, policy, fiscal and broad legal regime

**Sub-national (Provincial/District) Government** – legal basis, licensing, technical requirements, facilitation of good investments, information

**Private Sector** – (mine company) commitment to transparent, safe and productive operations

**Mine Community** – maintain communication with Mine Company for mutual benefit; identify needs

**Civil Society** – monitoring social, environmental and other impacts for local and national well-being
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**Specific Government Roles in Pakistan**

**National** – fiscal regime (taxes, investment rules, customs)  
Geological Survey (data, mapping)

**Sub-national** – mine licensing conditions/royalty regulations (e.g., health and safety)  
linkages to local community grievance mechanisms
Frameworks to support Mine Sector Governance:

(1) Policy framework
(2) Legal and Regulatory framework
(3) Fiscal and Commercial framework
(4) Institutional framework
(5) Environmental framework
(6) Stakeholder participation framework
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- **Institutional Framework**
- **Fiscal and Commercial Framework**
- **Environment Framework**
- **Stakeholder Participation Framework**
- **Policy Framework**
- **Legal and Regulatory Framework**

Governance of Mining Sector

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**Policy Framework**

- A combination of policies that sets the tone for how the mine sector will be developed
- Published statement on Government resource development priorities provides clarity
- Opportunity to restrict or open the market

*Example*: Rent sharing – lower tax or royalty rates as incentives for investors

- Participatory formulation - national, sub-national and local priorities to be considered
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**Legal and Regulatory Framework**

- Technical, financial, environmental, social and administrative requirements
- Clear assignment of specific responsibilities of provincial and national government
- Enforceability of legal and regulatory provisions and contracts must be practical and affordable
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**Pakistan Mining: Legal and Regulatory Framework**

**Mining Specific**

- Constitution, 18\textsuperscript{th} Amendment
- Mine Concession Rules, 2002
- National Mineral Policy, 1995
- Licensing and other regulatory provisions

**Additional Supporting Legal (Illustrative)**

- Tax
- Investment
- Environment
- Customs
- Labor
- Anti-Corruption

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**Fiscal and Commercial Framework**

- Combination of policies, laws & regulations and institutional arrangements
- Investors need clear and definite guidance:
  - *Mining fiscal regime* (i.e. profits tax, royalties, dividend taxes, import duties, VAT, depreciation and amortization schedules)
  - *Risks of investment* – potential to be burdensome and uncertain – e.g., changing tax and audit requirements
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**Institutional Framework**

- **Cadastre** – Balochistan: registration, licensing, maps
- **Inspectorate** – Balochistan: technical oversight, health & safety
- **Geological Survey** – geoscience data & survey work
- **Fiscal oversight** – National and Provincial tax authorities, Provincial royalties
- **Environment** – Sub-national with National support
- **Labor and Social** – National and sub-national support
Critical issue that requires specific governance through law, regulations, certifications

Good governance is a balance between mining and environmental aspects

Financial regime to provide support funds in case of environmental damage

Apply international practice for environmental compliance standards and rules on involuntary relocation and compensation
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**Stakeholder Participation Framework**

- Identification of stakeholders
- *Formal and informal mechanisms* to build support
- Open communications build good governance
- Public hearings, regularized meetings, published reports
- Extractive Industries Transparency Initiative (EITI)
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**Extractive Industries Transparency Initiative (EITI)**

*An international revenue monitoring program*

- Each mine company publishes tax and non-tax payments to Government
- Government publishes tax payments by mine companies
- Independent auditor reconciles statements
- Multi-stakeholder Group (government, civil society, mine companies) oversee process and promote civil society awareness on mining
Mine Company Governance

• Each company has its own corporate structure
  - Board of Directors (can have gov’t members)
  - Management Team
• Corporate Social Responsibility (CSR) promote good governance (e.g., Code of Conduct)
• Regular external, independent audits are important
• How will Balochistan manage minority shares in each mining project?
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**Illustrative options for how government shares may be managed in mine projects**

- Government company/authority
- Existing government ministries or departments
- Board of Directors’ participation
- Proxy participation
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Thank you.