

# 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

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

### **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

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

## **Specific Government Roles in Pakistan**

**National** – fiscal regime (taxes, investment rules, customs)

Geological Survey (data, mapping)

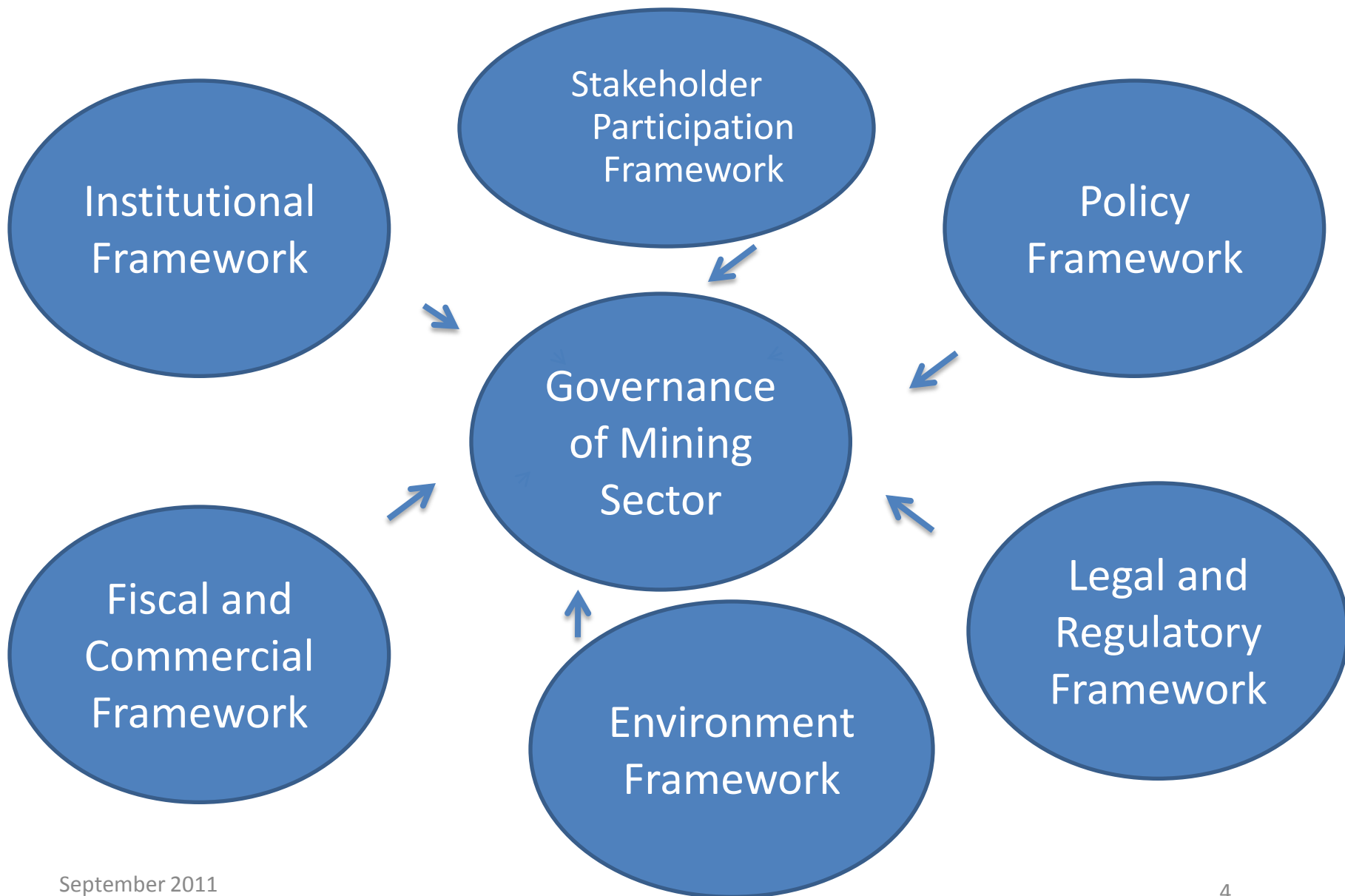
**Sub-national** – mine licensing conditions/royalty regulations (e.g., health and safety) linkages to local community grievance mechanisms

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

### **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

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



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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**

- Laws, Regulations, Licenses, Procedures, Contracts – clear & predictable “*Rules of the Game*”
- 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<sup>th</sup> 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

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### **Environmental Framework**

- 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

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### **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.**