MINING IN PAKISTAN
A PRIVATE SECTOR POINT OF VIEW

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FOR
WORLD BANK SPONSORED CONSULTATIVE
WORKSHOP JOINTLY ORGANIZED BY MINISTRY OF
PETROLEUM & NATURAL RESOURCES

AT
OGDCL CONFERENCE ROOM, ISLAMABAD
ON
15TH AND 16TH DECEMBER 03
BEWARE!
WE ARE
SERIOUS
IN HUNTING
THE SOLID
MINERALS
EVEN IF
HOUSED IN
OGDC ARENA

ARE THERE
MINERALS?
REASSURE
YOUR
POTENTIALS
AND THEN
REST
ASSURED
FOR
ASSISTANCE

WHERE WE STAND IN OUR ROLE & SHARE

OGDC
15-16 DEC:03
ISLAMABAD
WARM WELCOME TO WORLD BANK DELEGATES FROM LOCALS PARTICIPANTS
STAKEHOLDERS DEVELOPING CONSENSUS OVER

WORLD BANK POLICY NOTE

- Globally Rich Volume of Knowledge embodied in the report.
- A realistic assessment on Pakistan Mineral Status.
- A road map for recovery to prosperity.
- Role model of Argentina, Malaysia & some African countries ample guidelines for take off.
- The Architect of the report have done a commendable job & deserve appreciations.
- Comments asked for will follow at the end of presentation on private sector point of view.
HATS OFF?

- IMEP & PMS extend deep felicitations to MOP-NR and World Bank for organizing the workshop.
- Pakistan has not driven eminence in the global mineral market despite potential of 57 exploitable minerals.
- Who is responsible: Minerals, Men, Marketer or Ministry? Please take the hats off and wake up for joint efforts.
- The hostile Geo-Political Environments around Pakistan & global media campaign has unnecessarily apprehended the friendly investors. No more worry.
- Time is paving the way for developing potentials of investment opportunities in Pakistan Mineral Sector (PMS).
- Inputs & sincere efforts of Chinese, Australian, Germans & World-Bank are likely to pull Pakistan from Status quo (INSHALLAH).
PAKISTAN

- Land of talented people geographically spread in all the four provinces.
- Endowed with tremendous Natural Resources including minerals.
- Is listed amongst the mineral potential region of the World so far as coal resources are concerned. Besides endowment of industrial & some of metallic minerals.
- Why then minerals were not fully exploited? Not me to think alone on:
GEOGRAPHICAL MAP OF PAKISTAN
MINERAL MAP OF PAKISTAN

LEGEND

Metallic Minerals
- Chromite
- Manganese
- Iron ore
- Copper / Gold
- Zinc-Lead

Non-Metallic Minerals
- Dimension Stones
  - Aragonite/Marble
  - Granite
  - Onyx marble
- Chemical, Fertilizer & Industrial Minerals
  - Barite (Barytes)
  - Dolomite
  - Feldspar
  - Gypsum (including anhydrite)
  - Magnesite
  - Phosphate
  - Rock salt
  - Silica sand
  - Soapstone / Talc

Clays
- Bentonite
- China clay
- Fire clay
- Fuller's earth

Gemstones
- Emerald
- Peridot
- Ruby
- Topaz
- Tourmaline
- Aquamarine

Fuels
- Coal
- Oil
- Gas
- Oil & Gas
- Uranium

Notes:
1. The map shows only the major economic mineral deposits of Pakistan which are either presently in production or are likely to come into production by 2005.
2. Mineral showings and occurrences of academic importance are excluded.
3. Bulk minerals and building/construction raw materials like sand, gravels, limestone etc., are not shown.

MAJOR ECONOMIC MINERAL DEPOSITS OF PAKISTAN (2003)
A PRIVATE SECTOR POINT OF VIEW

ABOUT

• ROLE OF GOVERNMENT
• PUBLIC SECTOR CORPORATIONS
• BENEFICIATION FACILITIES- VALUE ADDITION - R&D
• GEMSTONES
• REVIVAL OF MINERAL RELATED PROJECTS
• ROLE OF EXPORT PROMOTION BUREAU & COMMERCIAL BANKS
• SALE TAX- IMPACTS ON MINERAL ECONOMICS
• COMMENTS ON THE POLICY NOTE
ROLE OF GOVERNMENT

• The regulatory regime to change its role from regulatory to facilitating and likewise the monitoring tools shifting from revenue earning base to service orientation.
• Quality of service rendered should result in the enhanced minerals exploitations – enhanced productivity & safety.
• Non-consistent, non concerted efforts failed to maintain continued growth & achievements of minerals despite geological favors. Let us not waste any more time.
• Only few minerals are being mined which have competitive edge in the domestic market & that too on small scale using conventional systems-cherry picking. (except for Sandhak).
• Inattention of the government in non prioritization of minerals has left the sector far behind the targeted pace.
• Constitutional overlaps & duality of control leads to many ambiguities & cross pulls apprehending the potential prospective investor.
• MOP-NR has more love laps for oil & gas compared to solid minerals.
ROLE OF GOVERNMENT

• Let us wish for oil and Gas workshops in future in PMDC conference room?
• The concern of government for agro economy is manifested by developing forward & backward links & facilitating the farmers for soft loans on seeds, tube-well, tractors & water through Dams & Canals.
• Agriculture sector was facilitated by UN-Agencies (WFO) by providing farms to market roads while mines to market roads are awaiting for due attention, likewise no specific banking facility is available for mining as available to agriculture sector (ADB).
• Have we really done so much for minerals despite the fact that both come from earth.
• Agricultural is responsible for life while minerals provide life + life style to human beings and are blood line for industrial consumption – back bone of industrial economy. Therefore minerals must be at priority no.2 after defense as it has the potential to earn upto $2 billion (A great ease on forex drain on oil import).
• Mineral Policy to be reviewed for making it more investment friendly and likewise the Concession Rules.
ROLE OF GOVERNMENT

- Geological evidences coincides with remote areas where social sector development programs are hardly addressed being low population density zone - Shift planning premises at national level to mining areas.
- General Industry has to be compared with Mining and well understood. Factories are established where factors of productions are available and are generally close to big cities – market.
- Mining follows the geological evidences where the entire infrastructure – facility available to urban populations are brought at mines.
- A big difference between living in cities and bringing city life at mines is hardly realized & understood.
- Development of infrastructure will expose minerals and generate employment in remote areas, help poverty alleviation, suppress tendency of urbanization.
- A ten million investment in a industry is estimated to generate 30-50 jobs as compared to 350-400 jobs at mines. Thus a distinctive leverage for employment generation in remote areas. Go for mining.
- Establishment of coal bank (like in India) is suggested to pool different grades of coal which after washing will be narrowed down for domestic market consumption and substitution of oils.
ROLE OF GOVERNMENT

CONSTITUTIONAL OVERLAP – DUALITY OF CONTROL

- Oil gas and nuclear minerals – domain of GOP while all solid minerals are the subject of Provincial Governments. Coal which is a fuel based mineral has been isolated from oil and gas. The sets of overlap between Federal & Provincial Government exists where good intended coordination even cannot bring envisaged results rather retro productive pulls are generated.

MINERAL POLICY & ITS IMPLEMENTATION

- The points agreed at the time of inception of policy regarding one window operation & no more new taxes has been defied at the time of implementation. Regulatory regime only implemented to the extent of creation of departments of Mines & Minerals.
- Ordinary lessee/licensee still is not facilitated on free access to mineral potential regions, geo-data, maps, mineralogy and geo chemistry, info on infrastructure extent of value addition required & ware houses where such facilities are locally available.
ROLE OF GOVERNMENT

- The licensees/lessees are sometime interrupted by forest departments, surface land holders or defense strategic departments therefore mining is being compressed and mineral policy is not explicit on the modality for relief.
- Interdepartmental clarification-opinion are always, time consuming, frustrating and retro productive hence speedy/one window facilitation desk in the MOP-NR is inevitable, zero delay action urged.
- Export oriented minerals to be declared as Mineral Export Processing Zone (MEPZ) at the Production point. All facilities of EPZ be extended mutatis mutandis to MEPZ under the umbrella of MOP-NR be provided. Any clarification, levy/waiver of duties on the import of good, tariff rates etc. should be the sole responsibility of MOP-NR.
- MOP-NR should be the key line Ministry dealing with all matters, all departments/Ministries for coordination and decision on any matter relating to minerals. The facilitation desk of MOP-NR to provide tailor made packages to the investor on demand.
ROLE OF GOVERNMENT

CAPACITY BUILDING

• Good that DGMM have been established in all provinces & geoscientists exposed to vertical movements. The change in attitude for changed requirement & environments calls for service orientation rather than master servant relationship. GOP to maximize on this HRD programs.

• The geoscientists should be encouraged; acknowledged & promoted for pay & perquisites on discoveries, enhanced output & tangible achievements. This can be better achieved for inducing flexibilities- through horizontal movement or secondment to private sector so that they embrace diversification which will widen their vision and test their professional skills even in private sector while retaining their job security in public sector.

• The training & development of geoscientists in public and private sector be organized within Pakistan or abroad for professional and personal development so that they are ahead of technological developments.
ROLE OF GOVERNMENT

- The Public Sector Corporation should foster collaboration with local or foreign investors for bringing in technology and skill updating particularly in shaft sinking, gemstones mining and cutting, large scale open pit mining and environmental management control.
- The training facilities at Punjab School of Mines and Mithri (Sindh) may be made operational by placement of experienced, qualified and dedicated staff regardless of pay scale structures/net.
- The GOP may arrange such qualified staff from local and international market even on the basis of pay as they deserve.
- The trained staff should be made available four to five year ahead of any project-planning-implementation.
- MOP-NR should start from its own desk to implement HRD programs especially under the changed scenario for effective control supervision-monitoring in view of the new emerging projects like Sandhak, Lead Zinc & Thar coal.
PUBLIC SECTOR CORPORATIONS

- Initially created in the past to meet commercial & social objectives to develop human resources, demonstrate technology, undertake R&D and disseminate/ transfer knowledge and experience to private sector where it was shy of investment and was under capacity.
- This role has been changed in a race to generate revenue earning and derive importance on this basis disregarding the envisaged charter, at the cost of non conservation of minerals, overlapping roles, low productivity and poor safety. They are well contented in status quo.
BENEFICIATION- VALUEADDITION- R&D

- Not much awareness does exist nor facilities availed or tried seriously in the past.
- High time for a coordinated efforts of universities- PCSIR (Mining Division) under the direct control of MOP-NR to render commercial/R&D services.
- Unattractive minerals to be studied under techno economic parameters and feasibilities so established be commercialized for prospective investors.
- Sincere efforts be put in on iron ore deposits of Punjab and Balochistan, Sharaigh coal, Nepheline Syenite, Magnisite, Chrome, Bentonite and Bauxite deposits.
- The gap between universities and field may be abridged by flow of information and technology under the aegis of DGS-MM & MOP-NR.
GEM-STONES

- This sector is totally disorganized and accounts for artesian -illegal mining.
- Government of NWFP has just started the grant of small scale leases 5-10 acres which should be broad base at national level.
- Faculties may be geared up to find out substitute of explosives where shattering of gems could be avoided.
- Commercial scale facilities of cutting and polishing gems may be created at potential locations like at Peshawar.
- Marketing facilities and promotional activities need to be made more aggressive and vibrant in the global market.
PROJECTS REVIVAL

• Low grade iron ore of Chichali may be reactivated to formulate an acceptable blend for Pak-Steel by using Chiniot, Chaghi, Dalbandin etc. deposits.

• Intensive R&D efforts and vibrant pursuit under the Umbrella of MOP-NR is essentially required.

PROMOTIONAL-COMMERCIAL ACTIVATION

• Till such time Mineral Development Bank is established, the mining culture may be inculcated in Commercial Banks by ensuring employment of experienced/qualified and competent geoscientist who could guide and formulate mineral related projects.

• The Export Promotion Bureau as well as SMEDA may be staffed by experienced qualified & competent geoscientist for effective link between the production, valueaddition and export market of minerals.
SALE TAX

• Fiscal Regime as a whole is not investment friendly nor development oriented but highly commercial from government point of view. High rate of taxes/tariff have eroded the commercial viabilities of the minerals for the domestic and global market.

• Sale Tax as a whole is one of the sore point which has suppressed the tendency of honest reporting of mineral production.

• Despite assurance in the Mineral Policy at the time of its inception; subsequent levy of Sale Tax has shattered the faith and confidence of the Mine Operators as a result there is no choice left except to withdraw it.

• Likewise the import of mining related machinery and equipment including plants machinery & equipment for beneficiation-washing as well as coal firing equipment may be allowed for import on zero duty basis.
The public sector corporations hold the major mining areas in acreage but production density is more in private sector.

No doubt mineral policy is the outcome of government concern for mineral sector but making rules and notifying mineral policy does not make the hidden wealth exploitable.

It is the sincere and coherent and sustained efforts which set the investment oriented climate. The policy once agreed must be implemented faithfully so as to enjoy the confidence of those actually engaged in the exploitation of minerals. The policy initiative must bring change which should be visible on ground.

The creation of MIFB & MIFA do not automatically dish out facilities unless frequent meetings are held and decision so taken are implemented. Recommendations proposed should develop a mechanism for objectively verifiable results of any law made, adjudged from the investment point of view so that under utmost endeavor the investment is saved from being abortive.
COMMENTS

The appellant authority against the orders of SM&M should be a quasi-judicial bench like MIFA/MIFB for speedy disposal of cases (if the law of the land permit) as the is no bar on any person filing a writ in high court.

The observations under chapter two are supported except that there should be no GST, Custom Duty on mining related machinery and the tax holidays may be granted on new projects atleast for 5 years.

HRD programs should be realistic; meaningful and well timed to prepare in advance the HR before introducing any technology should technology trained men or vice versa (chicken and an egg)?

Very little has been mentioned about the Mines Act 1923 Coal and Non Coal Regulations 1926 in the Policy note.
The environmental issues may be embodied and brought within the fold of Mines Act rather than inducting another non-mining agency which too is undefined between federal and provincial domains.

Frankly speaking more than 90% mining operations fall within the category of small scale mining where concept of economy of scale cannot be applied/exploited.

Consortium of private, public sector be encouraged for large scale mining where leverage of economies of scale could be exploited.
World-Bank Mission
with
Basket full of
Consultative Documents
Touching
The Conceptual heights
in
The Global Market
with
Pakistan in Background