

# LEGAL & REGULATORY FRAMEWORK REPORT

*for*  
**OPERATIONALIZATION**

*Of*  
**KHYBER PAKHTUNKHWA MINERALS DEVELOPMENT AND  
MANAGEMENT COMPANY LIMITED (KP-MDMCL)**  
(A Public Limited Company formed under the relevant provisions of the Companies Act, 2017)

*Submitted to*



**MINERALS DEVELOPMENT DEPARTMENT**  
Government of Khyber Pakhtunkhwa



**IECnet Consulting (Pvt) Limited**  
Management Consultants



**AFFILIATED ASSOCIATED ENTITIES**





## **LEGAL & REGULATORY FRAMEWORK REPORT**

### **DISCLAIMER**

This report, which includes a Draft Bill for amending the Khyber Pakhtunkhwa Mines & Minerals Act, 2017, and a Section-to-Section Analysis on the Proposed Khyber Pakhtunkhwa Mines and Minerals (Amendment) Act, 2025, was prepared by Mr. Shumail Butt, Advocate Supreme Court of Pakistan (formerly Advocate General, Khyber Pakhtunkhwa), and his team for IECnet Pakistan. The information, analysis, and draft legislation, along with the draft working paper and notification for establishing the Mineral Development Fund (MDF), are provided solely for informational and consultative purposes. This report does not constitute legal advice and should not be relied upon as such. While we've made every effort to ensure the content is complete, IECnet Pakistan does not warrant or guarantee the accuracy, completeness, or suitability of this information for any specific purpose. The proposed amendments and analyses are based on our legal understanding and interpretations at the time of drafting and may be subject to change, further review, legislative processes, and judicial interpretations.

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## EXECUTIVE SUMMARY

The Khyber Pakhtunkhwa Minerals Development and Management Company Limited (KP-MDMCL) was incorporated in September 2024 under the Companies Act, 2017 as a wholly-owned public sector company. Its creation reflected the Government's recognition of the urgent need for a dedicated corporate platform to drive investment, efficiency, and modernization in the province's mineral sector.

However, while incorporation under the Companies Act provided a corporate vehicle, it also revealed structural limitations in positioning KP-MDMCL as the Government's principal and statutory instrument for mineral development. To achieve clarity of mandate, legal autonomy, and investor confidence, it was deemed essential to provide KP-MDMCL with a dedicated legislative framework that would supplement and strengthen, rather than replace, its existing incorporation.

Accordingly, the Government has drafted the Khyber Pakhtunkhwa Minerals Development and Management Company Act, 2025 (the "Act"), a specialized law designed to anchor KP-MDMCL's role in statute, empower it with targeted functions and financial mechanisms, and integrate it seamlessly with the provincial regulatory regime under the Khyber Pakhtunkhwa Mines and Minerals Act, 2017.

### Key Highlights of the Act

Statutory Recognition & Autonomy: KP-MDMCL is formally recognized as the Government's principal corporate arm for mineral exploration, development, value addition, and facilitation.

Corporate & Commercial Mandate: The Act enables KP-MDMCL to obtain mineral titles, develop projects, establish joint ventures and PPPs, and act as a one-window facilitation platform for private and foreign investors.

Integration with Existing Laws: Specific provisions harmonize the Act with the KP Mines and Minerals Act, 2017, granting KP-MDMCL priority access and exemptions from competitive bidding for proven reserves.

Mineral Development Fund (MDF): A non-lapsable, dedicated fund is established to reinvest surpluses into exploration, industrial development, infrastructure, and institutional strengthening.

Carried Interest Mechanism: A 5% "free carried interest" for the Government in all large-scale mining operations, managed through KP-MDMCL, ensures public participation in equity returns without upfront costs.

Governance Framework: The Board of Directors includes government nominees and independent directors (including a woman and a financial expert), while the Chief Executive Officer is to be a seasoned professional with extensive experience.

Fiscal & Legal Incentives: The Act provides for tax and levy exemptions in the early operational phase and empowers the Government to delegate regulatory and financial powers to KP-MDMCL.

### Legislative Importance

The enactment of a dedicated statute confers a higher degree of certainty, permanence, and institutional legitimacy than incorporation under general company law alone. By enshrining KP-MDMCL's mandate and functions in legislation, the Government ensures that the Company is not just a corporate entity, but also a statutory instrument of public policy, enjoying authority, continuity, and investor confidence beyond what ordinary corporate incorporation provides.

Importantly, despite its specialized focus, the Act contains a saving clause, and it is presumed that its provisions shall not contravene federal laws, including the Companies Act, 2017 and the Income Tax Ordinance, 2011. Rather, it complements and operates in harmony with these federal laws, ensuring legal coherence, compliance, and smooth regulatory alignment.

### Conclusion

The Khyber Pakhtunkhwa Minerals Development and Management Company Act, 2025 therefore represents a forward-looking legislative initiative that elevates KP-MDMCL from a company incorporated under general law to a legally empowered corporate-statutory entity, capable of driving mineral sector transformation. It institutionalizes a governance framework that balances provincial ownership, private sector participation, and public interest, thereby creating a sustainable pathway for mineral-led economic growth in Khyber Pakhtunkhwa.

**SECTION II**

**INTRODUCTION - Context & Vision for KP's Mineral Sector**

**(Pages from 07 to 10)**

## **INTRODUCTION - Context & Vision for KP's Mineral Sector**

Khyber Pakhtunkhwa (KP) has a lot of valuable minerals that could bring wealth and jobs to the province. Even now, stone quarries and small mines already contribute a lot. However, this potential remained unattended to its fullest because of problems with how things are managed. There are major issues like unsafe mining practices, serious environmental damage from uncontrolled activities, and a weak 2022 mineral policy that isn't clear, doesn't protect enough, and lacks transparency. These problems have stopped growth and caused unfairness, especially for small-scale miners. To fix these gaps, a new Bill (2025) proposes changes to the existing 2017 law. This Bill aims to modernize how minerals are governed, attract investments, and ensure fair benefits by introducing things like a digital system for mining permits, a special police force for mines, and better benefits for local communities. However, the Bill has its critics. Some worry about its environmental protections, whether it might push out small miners, and how it balances attracting investment with requiring big projects to partner with government companies. The success of KP-MDMCL (the government's mining company) and the overall reforms depends on it clearly defining its role, being transparent, and truly helping private investment instead of creating new obstacles. Ultimately, modernizing KP's mineral sector is a complex task involving changes in laws, technology, institutions, and business practices. The success of any one change, like the 2025 Act or KP-MDMCL, depends on all these parts working well together. The future of KP's mining industry will depend on the government's ability to manage these challenges, balance different interests and turn these ambitious plans into real, fair, and lasting development.

### **1. KP's Mineral Potential and Current Landscape**

Khyber Pakhtunkhwa (KP) is geographically positioned with an inherent geological advantage, possessing extensive and diverse mineral resources. These include precious base metals, a variety of metallic and non-metallic minerals, dimension stones, and a wide array of precious and semi-precious gemstones, particularly in regions sloping from the Hindu Kush to the Derajat plains.<sup>1</sup> This natural endowment presents a substantial opportunity for the province's economic growth and diversification.<sup>2</sup> Despite this vast potential, the mineral sector's contribution to Pakistan's Gross Domestic Product (GDP) remains notably modest, standing at approximately 3%. Furthermore, the country's share in global mineral exports is a negligible 0.1%.<sup>3</sup> While KP's annual mineral production reached around 41.192 million tons in 2023-24<sup>3</sup>, recent economic data reveals a fluctuating and, at times, declining trend in the sector's performance. For instance, the GDP from mining in Pakistan decreased to 145,821 PKR Million in the first quarter of 2025, down from 148,878 PKR Million in the fourth quarter of 2024.<sup>4</sup>

The year-on-year growth rate for mining and quarrying recorded a decline of -3.294% in December 2024, a significant drop from an all-time high of 7.951% in December 2017, and a notable improvement from a record low of -17.583% in September 2022.<sup>5</sup> This significant disparity between KP's considerable mineral wealth and its limited actual contribution to the national economy and global trade, compounded by recent negative growth trends, points to a profound underperformance of the sector. The existing governance and operational frameworks appear to be insufficient in effectively harnessing the province's mineral wealth. This makes the proposed legislative amendments not just beneficial but a critical and urgent necessity for economic revitalization, aiming to unlock the full potential of KP's natural resources.

**Key Mineral Production and Economic Contribution in Khyber Pakhtunkhwa (2023-2025)**

Metric	Value / Trend	Source
Overall Contribution to Pakistan's GDP	Approximately 3% (Mining & Quarrying)	3
Pakistan's GDP from Mining (PKR Million)	Q4 2024: 148,878	4
	Q1 2025: 145,821	
Year-on-Year Growth Rate (Mining & Quarrying)	Projected End of Current Quarter: 151,576	4
	Dec 2024: -3.294%	5
	Sep 2022 (Record Low): -17.583%	
	Dec 2017 (All-Time High): 7.951%	5
KP's Annual Mineral Production (2020-21)	Approximately 40 million tons	3
Quarry Wastage Rat (Pakistan vs. Intl.)	75% vs. 45% (International Standard)	3
Key Minerals in KP	Precious base metals, metallic and non-metallic minerals, dimension stones, precious/semi-precious gemstones, copper, gold, bentonite, silica sand <sup>1</sup>	1

**2. Challenges in the Existing Mineral Governance Framework**

The current mineral sector in Khyber Pakhtunkhwa faces several significant challenges that impede its development and efficient operation. A prominent issue is the widespread reliance on outdated technology, which contributes to an alarming quarry wastage rate of 75% in Pakistan, significantly higher than the international standard of up to 45%.<sup>3</sup> This inefficiency is not merely an operational flaw but a direct consequence of a governance framework that has historically failed to incentivize or enforce modern, efficient mining practices. Such inefficiency directly translates into lost economic value, exacerbated environmental degradation, and a diminished competitive standing for KP's mineral sector on the global stage. Furthermore, the sector has been adversely affected by a combination of unfavorable domestic and global factors. These include persistent supply chain disruptions, elevated input costs, and a pervasive climate of political and economic uncertainty.<sup>7</sup> Beyond these external pressures, internal critiques of the pre-amendment framework highlight fundamental structural weaknesses. These include ambiguous governance structures, a susceptibility to political influence, inadequate environmental protections, and insufficient mechanisms to ensure meaningful benefits for local communities.<sup>2</sup> The existing framework has been criticized for potentially undermining provincial autonomy, leading to bureaucratic gridlock, and failing to secure fair returns for all stakeholders.<sup>2</sup> These systemic issues collectively underscore the urgent need for comprehensive reform to unlock the province's mineral wealth sustainably and equitably.

### **3. The Rationale for the Khyber Pakhtunkhwa Minerals Development & Management Company Act, 2025 – Proposed**

The proposed Khyber Pakhtunkhwa Minerals Development and Management Company Act, 2025 is fundamentally designed to address the longstanding challenges in the mineral sector and to empower the Government of Khyber Pakhtunkhwa to play a more proactive role through the establishment of a newly formalized corporate entity, the KP-MDMCL. This strategic move shifts the province's approach from a passive regulatory or revenue-collecting function to an active, commercially-driven development and management model.

The overarching objective of the Bill is to attract greater investment, enhance efficiency in resource management, and modernize the mining industry in alignment with contemporary national and international best practices. The clear declaration of intent to “modernize the mining industry in line with national and international best practices” reflects the KP government's recognition of the sector's existing deficiencies and its proactive commitment to global competitiveness. This represents a fundamental shift in operational philosophy, aimed at bridging the performance gap currently observed in the sector.

The Bill further seeks to resolve existing legal ambiguities and establish a comprehensive framework to support Public-Private Partnerships (PPPs), joint ventures, streamlined mineral title handling, improved corporate governance, optimized revenue utilization, and stronger coordination with regulatory bodies. By embedding the KP-MDMCL's role within a dedicated legislative framework, the government aims to provide a robust legal foundation for the company's operations. This will ensure that KP-MDMCL functions effectively under provincial oversight while driving the mineral sector toward greater efficiency, investment, and profitability.

### **4. Role of KP-MDMCL in Modernizing the Sector**

The Khyber Pakhtunkhwa Minerals Development and Management Company Limited (KP-MDMCL) is conceptualized as the "principal front-line implementing apparatus, investment facilitation vehicle and a commercial entity," wholly owned by the Mines and Minerals Department [<sup>8</sup>, 8B(1)]. This designation represents a fundamental paradigm shift in the province's approach to natural resource management. The company is explicitly designed to operate "on corporate lines" and "mimicking private sector" [<sup>8</sup>, 8B(2)(b)]. This innovative hybrid model aims to inject entrepreneurial dynamism and efficiency into a domain traditionally characterized by governmental administration.

The strategic choice reflects a clear intent to overcome the bureaucratic inertia and inefficiencies often associated with traditional government departments, by leveraging the agility, specialized expertise, and market-driven approach of the private sector. The opportunity lies in attracting significant investment, driving operational excellence, and maximizing profitability. However, this model also introduces a critical challenge: balancing the commercial imperative for profit maximization with the public interest mandate of sustainable resource management, environmental protection, and community benefit. The success of KP-MDMCL will thus be a litmus test for the government's ability to create a truly accountable and effective state-owned enterprise that serves both economic and social objectives.

The company is envisioned as a "**one-stop**" solution for reliable service delivery, housing multidisciplinary expertise including mining engineers, geologists, financial analysts, legal advisors, and security specialists under a corporate structure [<sup>8</sup>, 8B(2)(n)]. This integrated approach is intended to professionally structure projects and engage investors on behalf of the government, thereby streamlining processes and enhancing the overall attractiveness of KP's mineral sector for both domestic and international investment.

**DRAFT BILL**

**[Khyber Pakhtunkhwa Minerals Development & Management Company Act, 2025]**

**(Pages from 12 to 26)**

A  
**Bill**

*to recognize and further enable Khyber Pakhtunkhwa Minerals Development and Management Company*

**WHEREAS** a public sector company, in the name and style of “Khyber Pakhtunkhwa Minerals Development and Management Company Limited”—a public company, limited by shares, has already been incorporated under the Companies Act, 2017 by the Government of Khyber Pakhtunkhwa with intent to maximize profitability and buttress the development and management of mineral resources of Khyber Pakhtunkhwa on corporate lines;

**AND WHEREAS** it is expedient further to recognize and formalize the role and responsibilities of Khyber Pakhtunkhwa Minerals Development and Management Company Limited qua other stakeholders of in mines and minerals sector and to develop linkages and to incorporate changes into the Khyber Pakhtunkhwa Mines and Minerals Act, 2017 (Act XXXVI of 2017) where necessary; and for allied purposes hereinafter appearing;

It is hereby enacted by the Provincial Assembly of Khyber Pakhtunkhwa as follows:

**1. Short title, extent and commencement.** ---(1) This Act may be called the Khyber Pakhtunkhwa Minerals Development and Management Company Act, 2025.

(2) It shall extend to the whole of Khyber Pakhtunkhwa Province.

(3) It shall come into force at once.

**2. Definitions and Interpretation.**---

**(1) Definitions.**— In this Act, unless there is anything repugnant in the subject or context,—

**(a) “Act”** means the Khyber Pakhtunkhwa Mines and Minerals Act, 2017 (Act XXXVI of 2017) or any other law governing mineral development and regulations for the time being;

**(b) “Board”** means the Board of Directors of the Company, established in terms of Section 6 of this Act, in accordance with the Companies Act, 2017;

**(c) “Company”** means the KP-MDMCL;

**(d) “Department”** means the Minerals Development Department of the Government of Khyber Pakhtunkhwa;

(e) **“Director General”** means the Director General of Mines and Minerals, Khyber Pakhtunkhwa;

(f) **“Fund”** means the Mineral Development Fund, established under Section 15 of this Act;

(g) **“Government”** means the Government of Khyber Pakhtunkhwa;

(h) **“KP-MDMCL”** means the Khyber Pakhtunkhwa Minerals Development and Management Company Limited, a public limited company incorporated under the Companies Act, 2017, with the mandate more fully described in Part-II of this Act.”

(i) **“Prescribed”** means prescribed by rules or regulations made under this Act;

(j) **“Regulations”** means the regulations made under this Act;

(k) **“Rules”** means the rules made under this Act.

**(2) Interpretation.**— Words and expressions used in this Act but not defined herein shall have the same meanings as are assigned to them in the Act.

3. **Amendments of section 2 of the Khyber Pakhtunkhwa Act No.XXXVI of 2017.**---In the Khyber Pakhtunkhwa Mines and Minerals Act, 2017 (Act XXXVI of 2017), hereinafter referred to as the said Act, in Section 2, after clause (e) and (m) respectively, following new clauses shall be inserted, as namely:

*“(e-i): **“Mineral Development Fund”** means the Mineral Development Fund, so established under the Khyber Pakhtunkhwa Minerals Development and Management Company Act, 2025;*

(m-i): **“Joint Venture”** includes an arrangement or agreement entered into by a Licensee or Lessee with one or more persons or parties, that may or may not include KP-MDMCL or any other government entity, for the purpose of jointly undertaking exploration or mining operations or any other related functions, wherein the parties agree to contribute assets, share risks, and divide profits or to agree to any other terms, whether through the formation of a separate legal entity or by a contractual agreement, and which is approved by the Licensing Authority in the prescribed manner;

(m-ii): **“KP-MDMCL”** means the Khyber Pakhtunkhwa Minerals Development and Management Company Limited, a public limited company incorporated under the Companies Act, 2017, with the mandate more fully described in Khyber Pakhtunkhwa Minerals Development and Management Company Act, 2025;”

**Part-II**  
**Khyber Pakhtunkhwa Minerals Development**  
**And Management Company Limited**

4. **KP-MDMCL and its Functions.** —

- (1) The Government hereby recognizes KP-MDMCL as the principal front-line implementing apparatus, investment facilitation vehicle and a commercial entity, fully owned by the Department, operating in furtherance of the objectives of this Act and the mineral sector policies of the Government.
- (2) Without prejudice to the generality of the foregoing, subject to the provisions of this Act and the rules made hereunder and in line with its Memorandum and Articles of Association and applicable provisions of the Companies Act, 2017 together with rules made thereunder, the **KP-MDMCL** shall have the following powers and functions for the purposes of achieving its objectives, namely: –
  - (a) **Act as Government Holding Company:** To act as fully-owned public sector government holding company for any acquisition of interest, including but not limited to free carried interest, whether in equity or otherwise, by or on behalf of the Government, in exploration and production of minerals or any project, relating to processing and value addition of minerals directly or in any public-private partnership;
  - (b) **Mineral Exploration and Development:** To seek mineral titles in its name, undertake mineral resource reconnaissance, exploration, development, mining operations, and value addition activities on its own or in collaboration with others and to conduct comprehensive mapping, and feasibility assessments employing advanced geological and technical methodologies while mimicking private sector, on corporate lines and to draw up schemes, with objects that may not be confined to the Province of the Khyber Pakhtunkhwa, for the development, surveying, prospecting, exploring, mining, processing, industrial exploitation and purchase and sale of minerals including their import and export and for the improvement of communications, water supply, power and such other ancillary matters as may be conducive to the attainment of these purposes in the areas selected by the **KP-MDMCL** for any such development, subject to the overall supervision and control by the Department;
  - (c) **Project Execution and Operations:** To develop and commercially operate mines, mineral exploration and production, mineral processing and value-addition projects, including undertaking direct operations and entering into joint ventures with public or private entities;
  - (d) **Joint Ventures:** Initiate, manage, and participate in joint venture projects with national or international investors for large-scale or capital-intensive mineral development projects;

- (e) **Public-Private Partnerships:** Facilitate and enter into public-private partnership arrangements for mining and mineral processing projects, including as a government equity participant or project developer, in accordance with the Khyber Pakhtunkhwa Public-Private Partnership Act, 2020;
- (f) **Support to Regulatory Bodies:** Assist and support the Directorate General of Mines & Minerals, the Inspectorate of Mines, and other relevant authorities in:
  - (i) mineral title management and improving the mining cadastre;
  - (ii) royalty collection, auditing and management of mineral revenues;
  - (iii) profit-and-loss sharing mechanisms in joint ventures;
  - (iv) collection of any excise duties or other levies on minerals and their transparent transfer to the treasury; and
  - (v) monitoring compliance in commercial mining operations to ensure transparency and accountability;
- (g) **Market Development:** Develop mineral trading platforms, facilitate mineral exports, and promote marketing of KP's mineral products in domestic and international markets;
- (h) **Value Addition and Industrial Projects:** Establish or support the establishment of mineral processing plants, industrial estates or zones for mineral-based industries, and common facilities (such as processing centers, labs, or mining equipment pools) to enhance value addition within the province;
- (i) **Advisory to Government and Authority:** To provide policy recommendations, technical evaluations, and sectoral insights to the Department and the Authority on an ongoing basis or when required;
- (j) **Geological Data Management and GIS Mapping:** To digitize and systematically manage geological data, bore logs, and satellite imagery to facilitate comprehensive analysis and support investor decision-making besides housing and managing mineral title cadasters;
- (k) **Capacity Building and Technical Training:** To promote technical education and skill development in the fields of mining and related industries;
- (l) **Corporate Social Responsibility (CSR):** To implement community development projects within mining zones to foster inclusive growth and mitigate any adverse local impacts arising from mineral operations;
- (m) **Infrastructure Enablement:** To facilitate the development of essential supporting infrastructure, including roads, energy, water supply, and other utilities, necessary for mineral operations, primarily through Annual Development Programme (ADP) schemes or otherwise;

- (n) **Act as Service Provider:** To act as a conduit to receive different industry related services, equipment and technologies and to act as “one-stop” for reliable and dependable service delivery to different stakeholders of mines and mineral sector housing multidisciplinary expertise (mining engineers, geologists, financial analysts, legal advisors, security specialists) under a corporate structure to professionally structure projects and engage investors on behalf of the government.
- (3) The **Company** may also exercise such other powers, and carry out any other commercial, advisory, or facilitative functions related to the mineral sector, necessary for the discharge of its duties under this Act or as may be assigned by the Government, from time to time consistent with the objectives of this Act.
- (4) In addition, and without limiting the foregoing, the Government may also assign or delegate, all or any functions and powers of any of the Authorities, Tribunal, Officer(s) and Official(s) being performed under the Act (Act XXXVI of 2017 amended from time to time) to the **KP-MDMCL**, for the whole or any part of the province, for such term or terms, as it may determine, by a Notification, duly published in the Official Gazette.
- 5. Management and Administration.** – (1) The general direction and administration of the **KP-MDMCL** and its affairs shall vest in the Board who may exercise all powers and do all acts which may be exercised or done by the KP-MDMCL. Board shall enjoy full administrative and financial autonomy in its operations and shall be constituted as per the Companies Act, 2017 and relevant public sector company governance rules, with a professional management team appointed on merit.
- (2) The Board in discharging its functions shall act in compliance with the provisions of the Act and the rules made thereunder, on commercial and corporate considerations, in best public interest, and shall follow such policy directions as Government may give from time to time without prejudice to the commercial viability and consistent with commercial objectives of KP-MDMCL.
- (3) If the Board fails to obey any of policy directions mentioned in sub-section (2) or if the Board, the Chief Executive Officer or any Director contravenes the provisions of this Act or of the rules or regulations made under it or if the Chief Executive Officer or any Director is found guilty of misconduct, Government through an order in writing furnishing reasons may remove all or any of the Directors or the Chief Executive Officer, as the case may be, and notwithstanding anything to the contrary contained in the Companies Act, 2017 together with rules and regulations made thereunder, appoint temporarily for a period not exceeding ninety days (90) other persons in their place to be the Directors or the Chief Executive Officer, as the case may be, until their successor are appointed in accordance with law.
- (4) Government may through an order in writing while furnishing cogent reasons suspend the execution of any such resolution or order of the Board as in the opinion of Government contravenes the provisions of the Act, the rules, the regulations framed under this Act, or, the directions mentioned in sub-section (2), or prohibit the doing of any act which is to be done or is being done in pursuance of such resolution or order, or, if the act has been accomplished order its rectification in such manner as may be directed.
- 6. Board of Directors and staff of the KP-MDMCL.** – (1) The Board of **KP-MDMCL** shall

comprise of Directors, as follows:

- (a) Secretary to the Government, Mineral Development Department or any of his nominee, not below the rank of an Additional Secretary;
  - (b) Secretary to the Government, Finance Department, or any of his nominee, not below the rank of an Additional Secretary;
  - (c) Secretary to the Government, Industries, Commerce and Technical Educational Department, or any of his nominee, not below the rank of an Additional Secretary;
  - (d) Secretary to the Government, Planning & Development Department, or any of his nominee, not below the rank of an Additional Secretary;
  - (e) Four Independent Directors, from amongst the private sector, who shall be eminent professionals in their respective field, to be appointed by the Government for a period of three (03) years or such shorter tenure as the Government may determine, one of whom may preferably be a woman;
  - (f) Chief Executive Officer.
- (2) The Chairperson shall be appointed by Government from amongst the Board. In case of absence of the Chairperson in a meeting, for any reason, except for permanent vacancy, the Board may designate any of the available members as the acting Chairperson for that meeting.
  - (3) Independent Directors may hold office for period of three (03) years unless terminated earlier by the Government, for reasons to be recorded in writing. Independent Directors, upon expiry of their term, shall continue to function as such, until their successors are appointed by the Government and may be eligible for re-appointment.
  - (4) the Board, itself or on the directions of the Government, may associate with itself, in such manner, on such terms and for such period as it may deem fit, any person whose assistance or advice it may desire in carrying out any of the provisions of this Act.
  - (5) A person associated under sub-section (4) for any purpose shall have the right to take part in the discussion relating to such purpose in the meetings of the Board but shall not have the right to vote, and shall not be deemed to be a Director for that or any other purpose.
  - (6) Once formed, the Board shall, as soon it is practicable, set up essential Board Committees, comprising Directors, for good governance:
    - (a) an Audit Committee, chaired by an independent director *to inter alia* oversee financial reporting and risk management;
    - (b) a Human Resource & Remuneration Committee to *inter alia* oversee key appointment and HR Policy;
    - (c) and a Projects Committee to evaluate proposed Joint Ventures or PPP projects.

- (7) In addition but without derogation to the mode, manner, qualifications and criteria provided for the appointment of the **Chief Executive Officer** in the Public Sector Companies (Corporate Governance) Rules, 2013 and the Public Sector Companies (Appointment of Chief Executive) Guidelines 2015, so made applicable to the public sector companies, incorporated under the Companies Act, 2017, the Chief Executive Officer of KP-MDMCL shall be appointed through a fair and transparent competitive process, preferably from private sector and shall be person of known eminence, having at least Masters or equivalent qualification from any recognized University or Professional Institute/Body in field of mining, minerals exploration, geology, engineering, corporate law, business, I.T., accounting, finance or management studies, with at least twenty (20) years of experience in public or private sector, of which at least five (05) years shall be on a senior corporate or administrative position. Candidates having experience relevant to the mines and minerals sector shall have preference.
- (8) The Chief Executive Officer shall—
- (a) be a whole-time officer of the KP-MDMCL;
  - (b) Besides the day-to-day administration and control, perform such duties as may be specified or as may be assigned to him by the Board;
  - (c) receive such salary and allowances as Board may determine;
  - (d) divest himself of any directorship of, or other interest held by him in, any other corporation, company or concern, which may lead to a conflict of interest. This provision shall also apply *mutatis mutandis* to all independent Directors and other key management personnel of KP-MDMCL as well.
- (9) The Board may also appoint such officers, advisers, experts, consultants and employees, as it considers necessary for the efficient performance of its functions on such terms and conditions as it may deem fit, subject to such general or special directions as Government may give from time to time in this behalf.
- Provided that subject to the aforesaid directions of the Government, the company has full authority and autonomy to recruit, employ, and remunerate its staff according to its own HR policies and market-based standards approved by its Board. This enables KP-MDMCL to attract specialized talent in mining, finance, and other fields, ensuring the professional capacity needed for its mandate.
- (10) The Government may depute any government servant to KP-MDMCL for a maximum period of three (03) years, extendable for a further term of two (02) years at the request of the Board.
- (11) The Board may, by general or special order, delegate to the Chairperson, Chief Executive Officer, Directors, senior executives or officers the KP-MDMCL any of its powers, duties or functions under this Act and the rules and regulations made thereunder subject to such conditions as it may deem fit to impose.
- (12) The Chairperson, Members of the Board, the Chief Executive Officer, and all such persons appointed under sub-section (9) by the KP-MDMCL shall be deemed to be public servant within the meanings of Section 21 of the Pakistan Penal Code, 1860 (Act XLV of 1860).

(13) The Board shall, unless otherwise required by any other law, shall take all decision by majority. In decision that has any financial implications for the Company or otherwise, shall only be taken when it is supported by majority of the official directors.

(14) Quorum for any meeting of the Board should be at least seven (07) members of which at least three (03) shall be official directors.

(15) In case of any vacancy, so arising in respect of any Chairperson, member of Board, Chief Executive Officer or any other officer or official of the Company, it shall be filled within ninety (90) days.

7. **KP-MDMCL to be deemed a local authority.** – The KP-MDMCL shall be deemed to be a local authority under the Local Authorities Loans Act, 1914 and other enabling laws of the country, and for effective execution and implementation of any scheme, function or power under this Act, shall be deemed to act as a local authority legally authorized to carry out such scheme, function or power.

8. **Loans.** – The KP-MDMCL may negotiate and obtain for the purposes of this Act, loans in local and foreign currency from the local or international financial institutions: Provided that in while approving such loans, the Board of KP-MDMCL shall act with the prior approval of Government.

9. **Maintenance of accounts.** – Notwithstanding and without prejudice to the foregoing, the Company shall also maintain complete and accurate accounts of all its activities in such manner as may be specified by the Board.

10. **Audit of accounts.** – The Company shall, with the previous approval of Board, appoint its auditors who shall be a Chartered Accountancy Firm, duly registered with Institute of Chartered Accountants of Pakistan (ICAP) for auditing the accounts of KP-MDMCL

Provided that if Government so directs, the accounts of the Company shall be audited by the officials from the office Auditor-General of Pakistan or any other special audit provisions or arrangements.

11. **Reports to be furnished to Government.**– (1) The KP-MDMCL, besides making arrangements for publicly disclosing and disseminating information in respect of its activities generally and for the utilization of the fund in particular, shall also furnish to Government as soon as possible, after the close of each financial year an audited statement in the prescribed form in respect of the assets and liabilities of its projects and in respect of its transactions as they stand at the close of that year together with a profit-and-loss account for that year and a full report on the working of the Company during that year and copies of the said statements accounts and report shall be published in the official Gazette.

(2) The Company may also submit to Government, if so required, its proposals and plans for the ensuing financial year at such time and in such manner as may be prescribed.

12. **Profits to be paid to Government.** – The profits of the KP-MDMCL shall be deemed to be the income of Government and shall be payable to it in such manner and at such intervals as may be approved by Government.

13. **Exemption of Provincial Taxes and Levies.** — (1) Notwithstanding anything contrary contained in other law for the time being in force, KP-MDMCL shall be exempt from levy, collection, withholding and payment of all or any government taxes, duties, cesses, fees, charges or other amounts recoverable under any provincial statute for a period of five (05) years.
- (2) Notwithstanding anything contrary contained in any other law and irrespective of vesture of powers to exempt or otherwise, after the lapse of first five (05) years so provided in sub-section (1) of this Section, the Government may, if so requested, exempt KP-MDMCL from onward payment of any taxes, duties, cesses, fees, charges or other amounts, payable under any provincial statute, on such terms and conditions as the Government chooses to determine.
14. **Regulations.** — Board shall have powers to frame regulations, by publication in the official gazette, for its internal management, performance of its functions, and for the regulation and management of Mineral Development Fund and to give effect to any of its powers, duties and responsibilities under these or other provisions of this Act.”

**Part-III**  
**Mineral Development Fund**

- 15 **Mineral Development Fund.**— (1) Notwithstanding anything contrary contained in any law for the time being in force, the Government, by notification in the official gazette, shall establish a dedicated financial instrument to be known as the “Mineral Development Fund (MDF)” for the purpose of reinvestment in the mineral sector, including exploration, value addition, environmental protection, infrastructure, and institutional capacity-building and to meet the expenses in connection with the affairs of KP-MDMCL.
- (2) The Fund shall be primarily financed through the allocation from of the net surplus, generated from royalty and other mineral-related receipts, after deduction of collection and operational costs of the Department, Directorate General Mines & Minerals, and related agencies. The percentage share of the surplus allocated to the MDF shall be **forty-nine percent (49%)**, on a monthly basis, subject to quarterly reconciliation and the remaining **fifty-one percent (51%)** shall be deposited into the Provincial Consolidated Fund.
- (3) Besides the amount mentioned in sub-section (2), the Fund shall also consist of:
- (a) direct investments made by Government;
  - (b) grants made by Government;
  - (c) loans obtained from Government;
  - (d) loans obtained from the scheduled banks, lending institutions, multilaterals, development partners and other sources, including foreign loans;
  - (e) all other sums received by or deposited in the Fund
- (4) The fund shall vest in a **Fund Board** and all the amounts so reserved for the fund shall be transferred into a **separate fund account**, to be maintained and operated by the Fund Manager under the supervision of Fund Board and in accordance with rules and guidelines prescribed by the Government.

- (5) The **Fund Board** shall comprise of:
- (a) The Chief Secretary of the Government as the Chairperson;
  - (b) The Additional Chief Secretary Planning and Development of the Government, as the vice-chairperson;
  - (c) The Secretary to the Government Minerals Development Department;
  - (d) The Secretary to the Government, Finance Department;
  - (e) A professional Fund Manager, to be appointed by the Government, having such qualifications and in such manner, as may be prescribed. Until so appointed, the Government may designate any government servant not below the rank of an Additional Secretary to be the Fund Manager.
- (6) The Fund Board may meet, as and when requisitioned by any of the members or at the request of the Company and shall take all decisions by majority. In absence of the Chairperson, the vice-chairperson may chair the meetings of the Fund Board. Quorum for any meeting shall be at least three (03) members.
- (7) The Fund Board, subject to any overarching directions of the Government in this behalf, shall exercise oversight over the Fund and shall approve:
- (a) Fund investment policies;
  - (b) Annual fund utilization plans;
  - (c) Standard Operating Procedures (SOPs);
  - (d) Specific spending proposals.
- (8) Without prejudice to the generality of the foregoing, the Fund shall be utilized for:
- (a) Capacity-building and institutional strengthening of the mineral sector;
  - (b) Geological surveys and exploration enhancement;
  - (c) Infrastructure development in mineral zones;
  - (d) Promotion of environmentally sustainable and mechanized mining;
  - (e) Development of mineral parks and value chains;
  - (f) Any other project approved by the Fund Board.
- (9) KP-MDMCL may from time to time, bring proposals before and seek financial assistance for different projects from the Fund in line with the object of the fund. The Fund Board, upon thorough review of such proposals, if finds merit in financial assistance to the Company, may advance loans to the company, on terms and conditions, so approved by the Fund Board.
- (10) Upon receiving financial assistance from the Fund, and while utilizing the aforesaid sums, nothing precludes the KP-MDMCL from investing any such moneys which are not required for immediate expenditure in any of the securities described in section 20 of the Trust Act, 1889, in fixed deposits with a bank approved by Government or in such other manner as Government may direct.

- (11) Fund Board, if it so deems appropriate, to assist itself about the decisions relevant to Fund, its allocation and spending, constitute a separate and dedicated **Fund Audit Committee** which may also include the Secretary to the Government, Finance Department and such other officers, servants or advisors as the Fund Board may choose to employ from time to time.
- (12) The Fund shall be non-lapsable and thus any unspent amounts shall be carried forward and thus shall not lapse at the close of a financial year.
- (13) Fund Board, being the custodian of the fund, shall ensure independent audit annually of this fund and all the activities undertaken in respect of such fund.
- (14) The Department may provide such secretariat support to the Fund Board, as and when required.

**Part-IV**

**Integration with the Act**

- 16. Exemption from Competition etc.**---(1) Notwithstanding anything contained in Section 10 of the Act (Act XXXVI of 2017), the KP-MDMCL, in case it applies for grant of any mineral title under that section, shall be exempt from the procedure so provided therein.
- (2) KPMDMCL shall also be exempt from the proceedings under Sections 62 and 62A of the Act (Act XXXVI of 2017), in case it applies for grant of a mineral title in respect of any area, having proven mineral reserves.
  - (3) Government may from time to time, also exempt KP-MDMCL from any procedural or other requirement, so prescribed under any law for the time being in force, for smooth operation of the Company.
- 17. Insertion of Section 20C in the Khyber Pakhtunkhwa Act No.XXXVI of 2017.** ---After Section 20B of the said Act, a new Section 20C shall be inserted, as follows:

“20C **Obligation towards Government Carried Interest in Large-Scale Mining Operations.**— (1) Subject to existing commitments and obligations and notwithstanding anything contained in any other law for the time being in force, and in addition to any royalty, fee, tax, or charge payable under this Act, the Rules made thereunder, or any other applicable law, the Government shall, in partial consideration of allowing exploitation, excavation and appropriation of minerals owned by it and as a fundamental condition precedent to the grant or renewal of any large-scale mining title issued under this Act, be entitled to, and the holder of such large-scale mining title (hereinafter referred to as "the Title Holder") shall grant to the Government, a five percent (5%) free carried interest in the equity of the Title Holder.

- (2) For the avoidance of doubt, the carried interest referred to in sub-section (1) shall be subject to the following stipulations:
- (a) it shall be granted to the Government without any cost, financial obligation, or payment on the part of the Government for its acquisition or maintenance;
  - (b) it shall constitute a non-dilutable interest, meaning that the percentage of the Government's equity shall remain fixed at five percent (5%) notwithstanding any subsequent issuance of shares, capital increase, dilution of shareholding, or corporate restructuring by the Title Holder;
  - (c) where the Title Holder is a company engaged in multiple business activities or has diverse assets, the five percent (5%) free carried interest shall exclusively relate to, and be attributable only to, the equity proportion or segment of the Title Holder's capital and business that is directly engaged in, or specifically derived from, the mining operations conducted under the large-scale mining title, and not to other equity injections, assets, or business segments of the Title Holder unrelated to such specific mining activity. The methodology for determining and segregating such attributable equity shall be prescribed by rules made under this Act.
- (3) The Government's entitlement to yield, benefits, and distributions arising from such free carried interest shall accrue from the date the Title Holder commences commercial production and generates distributable profits from the mining operations covered by the relevant large-scale mining title. The procedure for the Government to receive such yield, benefits, and distributions shall be as follows:
- (a) the Title Holder shall furnish to the KP-MDMCL, being the government holding company under this Act, comprehensive and regular financial statements, including duly audited annual accounts, clearly demonstrating the profitability, revenues, and distributable profits specifically derived from the mining operations pertinent to the said large-scale mining title;
  - (b) the Government, through KP-MDMCL being its designated entity, shall be entitled to receive its pro-rata share of all dividends, bonuses, or other distributions declared by the Title Holder from the profits attributable to the mining operations, strictly in accordance with the proportion of its five percent (5%) carried interest;
  - (c) the Title Holder shall, upon the declaration of any dividends or other distributions from profits attributable to the mining operations, effect payment of the Government's share directly to the designated bank account of the KP-MDMCL within such period as may be prescribed by rules;
  - (d) for the purposes of ensuring transparency, proper accounting, and verification of the Government's carried interest and its entitlements, the Government or KP-MDMCL being its designated entity may, upon reasonable prior notice, cause an inspection or audit of the books of accounts, records, and facilities of the Title Holder directly relating to the mining operations;

- (e) any dispute arising out of the interpretation, calculation, or payment of the Government's share of profits or distributions under this section shall be resolved in accordance with the dispute resolution mechanism prescribed in the large-scale mining title agreement or by rules made under this Act.
- (f) Where any person has failed to pay any amount accruing or becomes payable on account of carried interest as required under this Section, a fine calculated at the rate of one per centum per month on the amount or any part thereof from time to time remaining unpaid, shall be payable from the due date of payment until all outstanding amount is paid.
- (g) Besides other remedies, as may be prescribed in the Rules, in case of any default in payment of any dues under this Section including but not limited to **government's share of profits/dividends** from the carried interest, same shall be recoverable as arrears of land revenue.
- (h) In addition to the recourse provided under preceding clause, in case of any default in payment of any dues under this Section, KP-MDMCL shall have similar powers to ensure recovery thereof as are available to a Licensing Authority against the Title Holder under Section 69 in case of non-payment of royalty.

Explanation.—For the purposes of this Section, the term “distributable profit” may mean net profits after statutory deductions, taxes, and mandatory reserves, available for distribution to shareholders.

- (4) The Government hereby designates the KP-MDMCL, also being a government holding company, to hold, manage, and exercise all rights and obligations pertaining to the free carried interest on its behalf.
- (5) The Government may, by notification in the official Gazette, make rules for carrying into effect the provisions of this section, including, but not limited to, rules for the determination and segregation of attributable equity, modalities of payment, reporting requirements, auditing procedures, and any other matter incidental thereto.”

18. **Amendments of section 65 of the Khyber Pakhtunkhwa Act No.XXXVI of 2017.**---In the said Act, after sub-section (3), following new sub-section (4) shall be inserted, namely:

“(4) Notwithstanding anything contained in any other provision of this Act, the rules made thereunder, or any other law for the time being in force regarding the collection, deposit, or appropriation of royalties, fees, and other charges:

- (a) the KP-MDMCL may, in addition to any other entity or mechanism authorized by the Government, be empowered to collect royalties, fees, and other charges payable under this Act, in such manner as may be prescribed by rules or specifically notified by the Government from time to time;

- (b) all sums representing royalties, fees, and other charges collected by the Government or any of its authorized entities, including the KP-MDMCL, under this Act shall, without undue delay, be deposited into a designated bank account of the Mineral Development Fund;
- (c) the sums deposited into the designated bank account of the Mineral Development Fund under clause (b) shall thereafter be appropriated and distributed in the manner so provided in Khyber Pakhtunkhwa Minerals Development and Management Company Act, 2025 (hereinafter referred as the “said Act”) that is:
  - (i) forty-nine percent (49%) of such sums shall be retained and utilized by the Mineral Development Fund in the manner and for the purposes specified in the said this Act; and
  - (ii) the remaining fifty-one percent (51%) of such sums shall be transferred to the Provincial Consolidated Fund.
- (d) The modalities for the collection, deposit, appropriation, and distribution of such sums, and the oversight thereof, shall be governed under the said Act and the rules made or regulations framed, under this or the said Act, if any.”

**Part-V**  
**Incidental Provisions**

19. **Rules.** --- (1) Government may, by notification in the official Gazette, make rules for carrying out the purposes of this Act.
- (2) The rules made under sub-section (1) shall be subject to previous publication in the official Gazette and shall meet the following considerations-
- (a) consistency with the provisions of this Act;
  - (b) fairness and clarity;
  - (c) facilitation of investment in mining sector; and
  - (d) natural justice and due process of law.
20. **Removal of difficulty.** --- Government may, by order, provide for the removal of any difficulty which may arise in giving effect to the provisions of this Act.

**STATEMENT OF OBJECTS AND REASONS**

1. The Bill is intended to empower the Government of Khyber Pakhtunkhwa to actively participate in mineral sector development through a corporate entity (KP- MDMCL), thereby facilitating investment, improving resource management, and modernizing the mining industry of the province in line with national and international best practices. By embedding the company’s role in the Mines and Minerals Act, the legal ambiguities are removed and a clear framework is provided for PPP facilitation, joint ventures, mineral title handling, corporate governance, revenue utilization, and coordination with regulators, all within the oversight of existing provincial laws.
  
2. The Bill is designed to achieve the aforesaid objects.

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**SECTION - IV**

**SECTION-BY-SECTION ANALYSIS OF THE PROPOSED ACT, 2025**

**(Page # 28 to 64)**

## SECTION-BY-SECTION ANALYSIS OF THE PROPOSED ACT, 2025

The Khyber Pakhtunkhwa Minerals Development and Management Company Act, 2025 (“**KP- MDMCL Act 2025**”) is a landmark provincial legislation that establishes a government-owned corporate vehicle, the KP Minerals Development and Management Company Limited (**KP-MDMCL**) as a strategic arm of the state in the mining sector. The Act’s preamble recognizes that KP-MDMCL has already been incorporated under the Companies Act 2017 as a public company fully owned by the Government of Khyber Pakhtunkhwa, with the intent “*to maximize profitability and buttress the development and management of mineral resources of Khyber Pakhtunkhwa on corporate lines*”<sup>[1]</sup>. By enacting this law, the provincial government formalizes the mission, powers, and governance of KP-MDMCL, and integrates it with the existing regulatory framework under the Khyber Pakhtunkhwa Mines and Minerals Act, 2017 (Act XXXVI of 2017) (“2017 Act”). The stated objective is to enable active government participation in mineral sector development through a corporate entity, “*modernizing the mining industry... in line with national and international best practices*”, while removing legal ambiguities and providing a clear framework for PPP facilitation, joint ventures, mineral title handling, corporate governance, revenue utilization and coordination with regulators<sup>[2]</sup>.

### **KP-MDMCL:**

Mission, Legal Form and Role. KP-MDMCL is envisioned as a sector development company that balances commercial business objectives with public policy goals. Legally, it is a public limited company (fully government-owned) registered under the Companies Act 2017<sup>[3][4]</sup>. Its mission, as gleaned from official statements, is to develop the province’s mines and mineral sector along modern lines, facilitate efficient resource utilization, and attract private investment<sup>[5][6]</sup>. In essence, KP-MDMCL will serve as the principal implementing agency and investment vehicle of the Mines & Minerals Department, operating on corporate principles to fast-track mineral projects and value-chain development. The provincial government in 2024 described the company as a vehicle to “*ensure multifold increase in the annual income of the [mineral] sector*” by simplifying cumbersome processes and providing a one-stop facilitation for investors<sup>[7]</sup>. Thus, KP-MDMCL’s role is twofold: (a) commercial, taking part in mining ventures to maximize profits for the state; and (b) developmental building sector capacity, infrastructure, and transparency in line with government policies.

The following section-wise commentary examines each provision of the KP MDMCL Draft Bill 2025 in context of the 2017 Mines & Minerals Act, highlighting legal innovations in governance and fiscal mechanisms. It also benchmarks key features against international best practices from successful mining jurisdictions (such as Australia, South Africa, Canada, Chile, and others), including case studies of government-backed mining companies and resource funds. Infographics and text boxes are included to illustrate core concepts like the Mineral Development Fund structure and the free carried interest model for ease of understanding.

## Part I – Preliminary (Sections 1–3)

- **Section 1: Short Title, Extent and Commencement.** This section provides the formal title “Khyber Pakhtunkhwa Minerals Development and Management Company Act, 2025” and extends its application to the entire Khyber Pakhtunkhwa province, coming into force immediately[8]. These are standard clauses, indicating that once enacted, the Act’s provisions have full legal effect across all mineral activities in the province. There is no direct analog in the 2017 Mines Act to discuss here; however, it is notable that this Act will operate *in pari materia* with the 2017 Act, effectively becoming a specialized law that complements and amends the general Mines & Minerals Act where specified.
- **Section 2: Definitions.** This section defines key terms used in the Act. It explicitly links the term “Act” to the Khyber Pakhtunkhwa Mines and Minerals Act, 2017 (Act XXXVI of 2017)[9], signaling that references to “the Act” generally mean the 2017 framework law (unless another mineral law is in force). Crucially, it defines “Board” as the board of directors of the Company (per Section 6 of this Act); “Company” means the KP-MDMCL; “Department” means the Mines & Minerals Department, etc.[10]. It also defines “Fund” as the Mineral Development Fund established under Section 15[11]. By setting these definitions, the Act ensures clarity in the institutional relationships for instance, distinguishing the Company’s Board versus the Department or the Directorate General of Mines & Minerals. Any terms not defined here carry the same meaning as in the 2017 Act[12], maintaining consistency between the two laws.
- **Section 3: Amendments to Section 2 of the 2017 Act (Insertion of New Definitions).** To integrate KP-MDMCL into the existing legal framework, Section 3 of the draft bill inserts new clauses into the definitions section of the 2017 Mines & Minerals Act. It adds definitions for “Mineral Development Fund” and “KP-MDMCL” in the 2017 Act[13][14]. This means that once the Bill is enacted, any reference to these terms in the Mines & Minerals Act will be understood as per the new Act. This amendment is a technical but important step: it “plants” the concept of the Fund and the state-owned Company firmly into the primary law governing mining. By doing so, it formally acknowledges KP-MDMCL and the Fund as part of the sector’s legal architecture, ensuring that other provisions of the 2017 Act (e.g. those on royalties, licensing, etc.) can interact with or reference the Company and Fund appropriately.

*Comment:* Prior to this Bill, the 2017 Act did not mention any provincial mining company or a mineral development fund – it was focused on regulating private and public mining titles, with the government’s role largely as regulator and less as a market participant. The inclusion of these definitions is the first of several integrations that mark a **paradigm shift**: the government (via KP-MDMCL) is now positioned to take an active, direct stake in mining projects and to manage a dedicated investment fund for the sector. This mirrors practices in some countries where legal reforms create state-owned enterprises or funds to drive mining development. For example, **Ghana’s Minerals and Mining Act** includes a provision by which the government acquires a 10% free carried interest in mining operations[15], and establishes a **Minerals Development Fund** to reinvest a portion of mining revenues in local development. Similarly, by defining KP-MDMCL and the Fund in the statute, Khyber Pakhtunkhwa is creating a legal basis for state participation and revenue recycling in the mineral sector, aligning with a trend of greater resource nationalism tempered by investment facilitation.

## Part II – KP-MDMCL: Establishment, Functions and Governance (Sections 4–14)

- **Section 4: KP-MDMCL and its Functions.** This is a foundational provision that formally recognizes KP-MDMCL as “the principal front-line implementing apparatus, investment facilitation vehicle and a commercial entity” for mineral sector development in the province[16]. In effect, Section 4(1) declares the Company to be the Government’s instrument to carry out the objectives of this Act and provincial mineral policies, operating on corporate lines as a fully Department-owned company. This recognition addresses any prior ambiguity about KP-MDMCL’s status vis-à-vis the Mines Department or Directorate: the Company is now explicitly empowered by statute to act on the government’s behalf in the sector. Notably, this goes beyond the 2017 Act, which had no such concept; it elevates the Company as a partner to the regulator (rather than a regulated entity alone), albeit under policy oversight of the government. This kind of public-sector mining company model finds precedent internationally. For instance, Chile’s Codelco is enshrined by law as a state-owned copper company serving as the state’s mining arm – over decades, it contributed nearly \$160 billion to the state, about 7% of Chile’s revenues[17]. Similarly, South Africa established a state mining company (AEMFC) to secure strategic minerals. By giving KP-MDMCL a clear mandate, KP is following a path of leveraging state-owned enterprises (SOEs) to catalyze mineral development in the public interest.
- **Section 4(2): Powers and Functions of the Company.** This clause enumerates a wide-ranging list of powers and functions for KP-MDMCL, effectively outlining its operating scope. It is worth examining each major function in context:

  - (a) **Government Holding Company for Mineral Interests:** KP-MDMCL can acquire and hold any interest (equity or otherwise) on behalf of the government in mineral exploration and production projects, including free carried interests[18]. This is a significant innovation. It means the province can take equity stakes in mining ventures via the Company – a mechanism to share in profits and have a say in project governance. The mention of “free carried interest” anticipates Section 17 (which establishes a 5% carried interest in large mines). Essentially, KP-MDMCL will serve as the custodian of the state’s equity shares in mining projects. The 2017 Act did not empower the government to directly invest in mining projects (it primarily granted licenses to private or public applicants). Now, the Company bridges that gap. Benchmark: In many countries, governments use similar holding companies: e.g. Tanzania’s State Mining Corporation and recent regulations entitle the government to a minimum 16% free carried, non-dilutable interest in mining companies[19], held through a designated entity (the Treasury Registrar or a state company)[20]. Ghana and Guinea require 10–15% free carried state equity[21][22]. KP’s approach (via KP-MDMCL) aligns with these practices but at a more modest 5% carry (discussed under Section 17 below), striking a balance intended not to deter investors while ensuring the state “has skin in the game.”
  - (b) **Mineral Exploration and Development:** The Company is empowered to apply for and hold mineral titles in its own name and undertake reconnaissance, exploration, and mining operations either on its own or in collaboration with others[23]. It can even operate beyond Khyber Pakhtunkhwa (the law says its schemes “may not be confined to the Province”)[24]. This marks a dramatic change from the 2017 Act’s regime of licensing private parties.

Normally, under the 2017 Act, any entity (including a government entity) would apply for a license and be subject to the same rules as others. However, Section 16 of this new Act (discussed later) actually grants KP-MDMCL exemptions from certain licensing procedures, effectively giving it privileged access. Here, Section 4(b) envisions KP-MDMCL performing as a state-owned mining enterprise – mapping geological resources, conducting feasibility studies, and implementing mining projects like a private sector company would, but with public ownership. The requirement to do so “on corporate lines” and “mimicking private sector” underscores the intent that KP-MDMCL be agile, profit-driven, and efficient, unlike a typical government department[25]. This provision can be seen as an attempt to emulate successes like Saskatchewan’s approach in Canada, where a provincial crown corporation (Saskatchewan Mining Development Corporation) was established to explore for uranium and other minerals. That corporation’s entrepreneurial approach eventually led to the formation of Cameco, one of the world’s largest uranium companies[26][27]. KP-MDMCL’s broad exploration mandate could similarly drive new mineral discoveries and projects, leveraging the flexibility to operate anywhere (even outside Pakistan if beneficial).

**(c) & (d) Project Execution, Operations, and Joint Ventures:** KP-MDMCL can develop and commercially operate mines, processing facilities, and other mineral projects, either by itself or through joint ventures (JVs) with public or private entities[28]. It is expressly allowed to initiate and participate in JVs, including with international investors, especially for large-scale or capital-intensive projects[29]. This function is critical because major mining projects often require substantial capital and expertise; by partnering in JVs, the Company can attract foreign technical partners while retaining an interest for the province. The 2017 Act did not prevent joint ventures, but such arrangements were ad hoc. Now a statutory entity can formally enter JVs on behalf of the province. Benchmark: Public-private joint ventures in mining are a proven model. One exemplar is Debswana in Botswana, a 50/50 JV between De Beers and Botswana’s government. Debswana’s partnership has ensured that roughly “*four dollars out of every five generated by Debswana accrues as government revenue for the benefit of the people of Botswana*”[30], contributing to Botswana’s rise from one of Africa’s poorest countries to one of its most prosperous[31]. While KP-MDMCL may not initially have the capital to match such stakes, the principle of leveraging a minority equity position in every major project (even 5–20%) can yield significant dividends over time and give the government influence over strategic decisions. Chile offers another example: Codelco has formed JVs with multinationals (e.g., with Freeport-McMoRan in the El Abra mine, and with Anglo American & Mitsui in certain projects) to share risks and capital while expanding production[32]. KP-MDMCL’s JV power similarly aims to combine state interests with private efficiency and finance.

**(e) Public-Private Partnerships (PPPs):** The Company can also enter public-private partnership arrangements for mining and mineral processing projects, acting either as a government equity participant or a project developer[33]. These PPPs must align with the Khyber Pakhtunkhwa Public-Private Partnership Act, 2020[34], ensuring transparency and proper risk-sharing. Essentially, KP-MDMCL can structure projects where the government’s contribution (land, mineral rights, or capital) is partnered with private investment under formal PPP contracts. This provision complements the JV clause but is tailored for projects under the PPP legal framework (which might include concessions, build-operate-transfer models, etc., beyond just corporate JVs).

We can expect KP-MDMCL to spearhead model projects – for example, a large mining infrastructure (like a processing zone or railway to a mine) could be done as a PPP with KP-MDMCL and a private consortium. Case in point: Australia often employs PPPs for mining-related infrastructure (railways, ports). While the mining itself is private in Australia, the concept of state facilitation through PPP is akin to how Western Australia supported mine development by investing in railways/ports in partnership with companies. The emphasis in the KP law ensures any such partnership will follow the dedicated PPP Act procedures, adding credibility for investors.

- (f) **Support to Regulatory Bodies:** In a unique bridging of roles, KP-MDMCL is tasked to “assist and support” the Directorate General of Mines & Minerals, the Inspectorate of Mines, and other authorities in a variety of regulatory functions[35][36]. Specifically, the Company may help with mineral title management and improving the mining cadastre, royalty collection and audit, profit-and-loss sharing mechanisms in JVs, collection of excise duties and transparent transfer to the treasury, and monitoring compliance in commercial mining for transparency[37][36]. This blurs the strict separation between regulator and operator – typically, one might worry about conflicts of interest (i.e., the Company is also a mining title holder). However, the intent here seems to be to leverage the Company’s professional capacity to augment the government’s oversight capacity. The Mines Department and attached offices may lack resources or modern technology; KP-MDMCL can provide technical expertise (GIS systems, audit skills, etc.) to strengthen governance. Importantly, the Company would do this under the Department’s overall supervision (per Section 4(b) and 4(2)(f)(v))[38][39], so the regulatory authority remains with the government, but operational help comes from the Company. This is somewhat analogous to models where state-owned companies provide technical services to the regulator. For example, in South Africa, while the regulator is separate, the state’s mining company has at times been used to undertake audits of mining operations or supply geological data to the government. In Pakistan’s context, KP-MDMCL could help digitize the cadastre and ensure royalty payments – tasks that improve transparency. Indeed, KP’s Mines Department has already increased revenue collection dramatically in recent years by introducing an e-government cadastre system[40]. KP-MDMCL’s support role could further automate and audit revenue flows, minimizing leakages. This underscores a theme: governance and transparency are core to KP-MDMCL’s mandate, not just profit. Successful state companies often play this dual role – e.g., Codelco adheres to strong transparency rules and supports Chile’s adherence to EITI (Extractive Industries Transparency Initiative)[41]. KP-MDMCL is likewise expected to bolster transparent practices in KP’s mining sector.
- (g) **Market Development:** The Company is empowered to develop mineral trading platforms, facilitate exports, and promote marketing of KP’s mineral products in domestic and international markets[42]. This goes beyond extraction into the trade and value-chain aspect. For a province rich in gemstones, marble, and other minerals, having a formal marketing arm can help fetch better prices and connect local producers to global markets. The 2017 Act did not cover such promotional activities. Now, with KP-MDMCL, the government can set up perhaps an online trading exchange or participate in international commodity fairs under a corporate brand. This is reflective of practices in jurisdictions like Dubai or Singapore where state-linked entities run commodity trading platforms. Closer to mining, Chile has a state minerals marketing arm (ENAMI for small miners, and Codelco’s sales branch for copper).

KP-MDMCL might fulfill a similar function, e.g. creating an auction marketplace for KP gemstones or acting as an export aggregator for small-scale miners.

- (h) **Value Addition and Industrial Projects:** KP-MDMCL can establish or support mineral processing plants, industrial estates or zones for mineral-based industries, and shared facilities (labs, equipment pools, etc.) to enhance in-province value addition<sup>[43]</sup>. This is a direct response to a common challenge: raw minerals are often exported without processing, depriving the region of downstream benefits. Under this function, the Company could, for example, set up a marble processing industrial estate or a gemstone cutting and polishing center in KP. It could also facilitate “mineral parks” where clusters of processing units enjoy shared testing labs or training centers. The inclusion of this role aligns with the provincial industrial policy – indeed, the Dawn news report (May 2024) on KP-MDMCL noted that companies working in the mineral sector would be encouraged (even required) to install processing plants within the province<sup>[44]</sup>. The company can drive that agenda by investing itself or through joint ventures in such plants. International best practice: Countries like Australia and Canada generally let the private market handle processing, but they support with infrastructure and R&D facilities (e.g., Australia’s CSIRO and cooperative research centers for mineral processing). In developing economies, state companies often initiate value-add projects – for instance, Saudi Arabia’s Ma’aden (although in aluminum/phosphate) built integrated mines-to-metals operations as an SOE to spur industrialization. KP-MDMCL is being similarly empowered to ensure the province moves up the mineral value chain, not just mining but also refining and manufacturing products, which aligns with sustainable development goals.
- (i) **Advisory to Government and Authority:** The Company will provide policy recommendations, technical evaluations, and sectoral insights to the Department and to “the Authority” on an ongoing or required basis<sup>[45]</sup>. The “Authority” likely refers to any governing body created by the 2017 Act (the Mines Committee or an appellate authority). Essentially, KP-MDMCL is to serve as a think-tank and consultant for the government on mining matters. This is sensible because a corporate entity that is actively engaged in projects will accumulate expertise in geology, engineering, finance, and law – expertise that can inform better policy and regulatory decisions. For example, KP-MDMCL might advise on royalty rate adjustments or on auction design for mineral blocks, drawing from its commercial perspective. This mirrors how some governments use national oil or mining companies: Petronas in Malaysia, for example, historically advised the government on petroleum policy while also doing business. The Act institutionalizes such knowledge sharing.
- (j) **Geological Data Management and GIS Mapping:** A very important but often neglected area – KP-MDMCL is tasked to digitize and manage geological data, borehole logs, satellite imagery, and to house the mineral title cadastre data<sup>[46]</sup>. This complements the earlier support role for the cadastre. The Company could develop an integrated GIS database of KP’s mineral resources, which would be invaluable for attracting investors (good data reduces exploration risk) and for planning. Under the 2017 Act, the government has rights to geological data from licensees, but building a modern database requires capacity. KP-MDMCL can invest in technologies (geological modeling software, perhaps partner with the Geological Survey).

A parallel can be drawn to Geoscience Australia or the Geological Survey of Canada, which are government agencies, but in some countries, state companies also manage data (e.g., Kazakhstan's Kazgeology is a state company tasked with geological exploration and data to attract investment). We can expect KP-MDMCL to publish geological reports or an online portal for investors – continuing the e-cadastre reforms already underway.

- (k) Capacity Building and Technical Training:** The Company will promote technical education and skill development in mining and related fields[47]. This function underscores a long-term strategy: building human capital. It could involve KP-MDMCL establishing training centers, scholarships, or on-site training for local youth in mining techniques, machinery operation, safety, etc. The Mines Department in a regulatory role doesn't typically train miners; KP-MDMCL can fill that gap, ensuring skilled labor for the sector. Many successful mining jurisdictions invest heavily in training: Australia, for example, has Mining Skills Organisations and TAFEs producing skilled operators; Chile has training programs via Codelco and others (Codelco runs its own training academy for technicians). By doing similar, KP-MDMCL can improve safety and productivity in KP's mines (which historically have issues with outdated methods and accidents).
- (l) Corporate Social Responsibility (CSR):** The Act explicitly mandates KP-MDMCL to implement community development projects in mining zones to foster inclusive growth and mitigate local impacts[48]. This legal embedding of CSR is notable – it suggests the Company must act as a responsible miner, ensuring local communities' benefit (through schools, clinics, infrastructure, etc.) and that adverse impacts (environmental or social) are addressed proactively. While private companies are often required by regulations or pressure to do CSR, here the state company is given that duty by law. One might say this provision aligns KP-MDMCL's operations with global standards of sustainable mining. For instance, South African mining law and charters require social and labor plans for mining communities; Canada's companies often sign benefit agreements with indigenous communities. KP-MDMCL, by virtue of this clause, will likely develop standardized community development agreements in areas it operates, setting an example for private companies. The presence of CSR in the Act also reflects transparency and growth objectives – government-backed companies have sometimes been criticized for neglecting local concerns; this pre-empts that by making social welfare part of the Company's core mandate.
- (m) Infrastructure Enablement:** The Company should facilitate essential infrastructure (roads, power, water, etc.) needed for mineral operations, including via Annual Development Program (ADP) schemes or otherwise[49]. This is a pragmatic function: often mining in remote areas fails because of lack of infrastructure. KP-MDMCL can use public funds or partner with others to build the roads to mines, extend electricity, or develop water supply – infrastructure that also benefits local populations. Linking this to ADP means the Company could propose projects to be included in the provincial development budget. It acts as a specialized implementation agency for mining-related infrastructure. We have seen this model in places like Australia's mining states – e.g., in Western Australia, the state invested heavily in rail and ports (with mining companies) to enable iron ore projects. In KP, building a road to a high-altitude mineral deposit or providing grid power to a marble cluster could be such tasks.

This role ensures that mining development is not stalled by infrastructure gaps, and that government investment in infrastructure is guided by commercial viability insights from the Company.

- (n) **One-Stop Service Provider:** KP-MDMCL can act as a one-stop shop for industry services, concentrating multidisciplinary expertise (mining engineers, geologists, financial analysts, legal advisors, security specialists) to professionally structure projects and engage investors on behalf of the government<sup>[50]</sup>. In essence, the Company could offer consulting services or package various clearances for an investor, simplifying their interaction with government. This complements the idea of an investment facilitation vehicle.

It recognizes that navigating regulatory requirements (licensing, environmental permits, land acquisition, etc.) can be complex; KP-MDMCL, having both governmental backing and commercial outlook, is well-placed to coordinate these tasks. Many successful jurisdictions have created “one window” services for investors – e.g. Peru’s mining one-stop office (PNPS) or Rwanda’s Mining One Stop Center. KP is doing similarly but via a corporate entity rather than a purely administrative body. This could prove effective if KP-MDMCL builds a team that not only helps its own projects but also assists private investors in structuring joint ventures, preparing feasibility studies, or securing permits, all under one roof. It makes KP more investor-friendly, which is vital for attracting capital in a competitive global market.

- Under **Section 4(3)**, the Company may carry out any other functions related to the mineral sector that are necessary for its duties or assigned by the Government<sup>[51]</sup>. This catch-all ensures flexibility; as new needs arise (e.g., perhaps managing a mining museum or leading climate initiatives in mining), KP-MDMCL can take them on if consistent with the Act’s objectives.
- Furthermore, **Section 4(4)** allows the Government to delegate any functions or powers of the authorities, tribunal, or officers under the 2017 Act to KP-MDMCL via notification<sup>[52]</sup>. This is a powerful provision – it means that the province could, for example, delegate the function of collecting royalties, or running the mineral titles registry, or even certain inspection duties, to the Company for a period of time. Such delegation must be by official gazette notification, implying transparency and presumably for good reason (perhaps to pilot a new system or to fill capacity gaps). It effectively allows a form of *managed decentralization* of regulatory tasks to the Company, while still under government oversight. This might raise concerns about conflict (a company holding titles also acting as quasi-regulator), but any such delegation would likely be partial and governed by rules to prevent abuse. For now, it stands as an enabling clause providing government flexibility to harness the Company’s capabilities where needed in implementing the Mines Act. In sum, Section 4 outlines a comprehensive mandate for KP-MDMCL that spans commercial operations, investment facilitation, regulatory support, value addition, and social responsibility. It is arguably the heart of the Act, transforming how the province’s mineral sector will be managed going forward. The approach is highly innovative for Pakistan’s mining sector, and in line with global trends of governments seeking greater returns and control from natural resources while leveraging private capital and expertise. As the Statement of Objects notes, embedding the company’s role into the legal framework aims to remove ambiguities and bring clarity to areas like PPPs, JVs, title handling, and revenue management<sup>[53]</sup>, all under oversight of existing laws, but with a new dynamic agent (KP-MDMCL) in play.

- **Section 5: Management and Administration of KP-MDMCL.** This section deals with the governance structure of the Company, specifically the powers of its Board of Directors and the relationship with government directives:
  - **Section 5(1)** vests the **general direction and administration** of KP-MDMCL in its Board of Directors, which may exercise all powers and do all acts that the Company can do[54]. It also explicitly states the Board shall enjoy full administrative and financial autonomy in operations, and that it shall be constituted according to the Companies Act 2017 and relevant public-sector company governance rules, with a professional management team appointed on merit[55]. This is a critical statement: it underscores that while KP-MDMCL is government-owned, it is to function with *autonomy akin to a commercial corporation*, free from day-to-day political interference, and following corporate governance best practices (e.g., Public Sector Companies (Corporate Governance) Rules, 2013). Such autonomy is essential to achieve the efficiency goals. International experience strongly supports this principle – state-owned enterprises in mining perform best when given managerial independence and held to professional standards. Chile’s Codelco is a prime example: after governance reforms in 2009, Codelco’s board was revamped to include independent directors and decision-making without direct government meddling; in the 15 years since, diverse professional boards have made complex decisions “without external interference,” maximizing the company’s value and sustainability[56]. KP-MDMCL’s law likewise seeks to insulate the Board’s commercial decisions from political pressures, while still aligning with government policy (discussed next in Section 5(2)). This balance of autonomy with accountability is the hallmark of modern SOE governance, as recommended by OECD Guidelines on Corporate Governance of State-Owned Enterprises.
  - **Section 5(2)**, however, provides that in discharging its functions, the Board shall act in compliance with the 2017 Act and rules, on commercial and corporate considerations, in the best public interest, and shall follow such policy directions as the Government may give from time to time – “*without prejudice to the commercial viability and consistent with [the] commercial objectives*” of KP-MDMCL[57]. This clause elegantly balances autonomy with government oversight: the Board is generally free to run the company on business principles, but the government can issue policy directives (for example, to prioritize a certain region’s development, or to observe certain procurement rules, etc.). However, any such direction should not undermine the company’s commercial viability or objectives. In practice, this means if a government directive would cause the company financial loss or contradict its mandate, the Board has grounds (under the Act) to push back, or at least the directive should be crafted in a way that still preserves the company’s ability to function commercially. This provision mirrors those found in many jurisdictions for SOEs – e.g., India’s Companies Act provisions for government companies often allow government directives in writing, but the board must implement them only if within legal bounds. The presence of this clause in KP law assures legislators and public that KP-MDMCL will align with provincial policy (no rogue corporation), but also assures investors/partners that KP-MDMCL won’t be run purely politically at the expense of profitability.

- **Section 5(3)** gives the Government power to remove the Board or the CEO for cause. If the Board fails to obey policy directions, or if the Board, CEO or any Director contravenes the Act or rules, or is guilty of misconduct, the Government may by an order in writing (giving reasons) remove any or all Directors or the CEO[58]. It may then appoint replacements temporarily (for up to 90 days) until proper successors are appointed under law[59]. This is an accountability mechanism. Notably, it says “notwithstanding anything to the contrary in the Companies Act 2017...,” meaning the government’s removal power here overrides the usual procedures of company law. This is expected since it’s 100% government-owned – the government as shareholder can replace directors. But the Act formalizes it with conditions (misconduct or non-compliance or defying lawful policy). This ensures that if KP-MDMCL’s management ever goes astray or becomes uncooperative with lawful government policy, the government isn’t powerless. It’s a check to the autonomy granted above – a fail-safe to protect public interest. Compare this with, say, Malaysia’s Petronas, which by law reports directly to the Prime Minister and whose board can be reconstituted by the government if needed to ensure alignment with national interest. One hopes such drastic measures won’t be common, but their availability can reassure stakeholders that KP-MDMCL remains accountable to the public through government oversight.
- **Section 5(4)** further allows the Government to suspend any resolution or order of the Board if it contravenes the Act, rules, regulations, or government policy directions, or to prohibit the doing of any act under such a resolution, or if already done, to order its rectification[60]. This is another oversight tool. For example, if the Board decided something that goes against, say, the Mines Act or a financial regulation (perhaps an investment that is ultra vires), the Government can step in to suspend that decision. This is somewhat analogous to powers some governments have over municipal bodies or parastatals – to nullify decisions not in conformity with law. It ensures that KP-MDMCL, despite autonomy, cannot become a law unto itself. Importantly, the government must furnish “cogent reasons” in writing for such intervention[61], providing transparency and a check against arbitrary use of this power. Together, Section 5(1)–(4) establish that KP-MDMCL will be governed by a Board with significant autonomy to run commercial operations, but the provincial government retains ultimate strategic oversight and corrective powers to ensure alignment with law and policy. This governance framework is consistent with best practices for state enterprises. The explicit reference to corporate governance rules implies adherence to merit-based appointments, clear roles of board vs management, audit requirements, etc. One can compare this to the governance of Codelco, which since 2009 operates under a special corporate governance law that reduced political appointments and increased professional management – Codelco’s high score (90/100) on the Natural Resource Governance Institute’s index is partly due to these strong governance structures[62]. If KP-MDMCL follows through with the promised autonomy and meritocracy in Section 5, it stands a better chance of success than many past Pakistani SOEs which suffered from political interference.

- **Section 6: Board of Directors and Staff of KP-MDMCL.** This section details the composition and functioning of the Board and key management:
  - **Section 6(1)** provides that the Board shall comprise a Chairperson, a CEO, the directors listed in the Articles of Association, and such other non-executive or independent directors as the Government may appoint from time to time, in accordance with the Companies Act 2017 and its rules[63]. This indicates the initial Board structure is defined in the Company’s Articles (which likely includes some ex-officio members from the Department or Finance, etc., and possibly independent experts). Additionally, the government can appoint further directors (ensuring flexibility in board size or diversity) so long as it’s in line with company law and Public Sector Companies rules. Under the 2017 Act (Mines Act), there was an entity called perhaps the “Mineral Investment Facilitation Authority” comprising ministers/secretaries – but KP-MDMCL’s Board is different: it is essentially the company’s board, not a statutory commission. By tying it to corporate law standards, the Act ensures the Board composition will meet requirements like having independent directors, female director (if applicable under SECP rules), etc. Non-executive and independent directors bring expertise and outside perspective, which is important for good governance. We might expect, for example, mining experts or finance professionals from the private sector appointed as independent directors to KP-MDMCL’s Board.
  - **6(2)** states the Chairperson of the Board is to be appointed by the Government. In absence of the Chairperson, the Board may designate an acting Chair from available members for that meeting[64]. This clarifies leadership: the Chair could be a prominent person (perhaps the Minister or an eminent expert – not specified, but government chooses). It’s common for government to appoint either a minister, or more preferably an independent technocrat, as Chair. The law is silent on whether the Chair is executive or non-executive; likely non-executive given the CEO runs daily operations. The acting Chair provision is standard to ensure meetings aren’t hampered if the Chair is unavailable.
  - **6(3)** empowers the Government via notification to alter the Board’s membership or change the number of Directors (increase or decrease)[65]. This is a flexibility clause. As the company grows or its needs change, the government might want to bring in more independent directors or adjust representation. Corporate governance rules often cap board size or require certain percentages of independent directors; any changes would have to comply with those. But it allows, for example, expansion of the Board to include a representative from a new stakeholder or to shrink it for efficiency, by simple notification.
  - **6(4) & (5)** allow the Board (on its own or as directed by Government) to associate any person for assistance or advice on any matter, on terms and for period it deems fit[66]. Such an associated person can take part in discussions on that purpose but has no voting right and is not deemed a director[67]. This enables the Board to bring in advisors or form sub-committees with external experts. For example, the Board might associate a geologist or legal expert when deliberating a particular project or a technical issue. It’s a way to get expertise without permanently adding to the Board. Many boards create advisory panels; this formalizes that ability. It can enhance decision quality especially in a technical field like mining.

- **6(6)** mandates that once formed, the Board shall as soon as practicable set up essential Board Committees, including: an Audit Committee chaired by an independent director (to oversee financial reporting and risk), an HR & Remuneration Committee (to oversee key appointments and HR policy), and a Projects Committee (to evaluate proposed JV or PPP projects)[68][69]. These committees reflect best practices in corporate governance. Audit Committee is crucial for transparency – having an independent director as chair ensures credible oversight of accounts, in line with corporate governance rules (Public Sector Companies Rules 2013 require an Audit Committee with independent directors for SOEs). The HR/Remuneration Committee will help ensure merit-based hiring and proper incentives for management (critical to attract talent against private sector). The Projects Committee is particularly apt for a company engaged in multiple ventures – it can vet project proposals in detail before full board approval, looking at feasibility, risk, and alignment with strategy. The inclusion of these committees by law shows an intention that KP-MDMCL’s governance will be robust and not just nominal. A comparison can be drawn to global mining companies’ boards which invariably have audit and risk committees; even state-owned ones have started doing so – e.g., Codelco and Vale (Brazil) have board committees to manage auditing and big projects oversight, to prevent mismanagement. It aligns with Public Sector Corporate Governance Guidelines in Pakistan as well.
- **6(7)** addresses the appointment of the Chief Executive Officer (CEO). It references that aside from the mode and criteria given in existing Public Sector Companies (Corporate Governance) Rules 2013 and the Public Sector Companies (Appointment of CEO) Guidelines 2015 (under the Companies Act), the CEO of KP-MDMCL shall be appointed through a fair and transparent competitive process, preferably from the private sector, and shall be a person of known eminence with at least a Master’s or equivalent in fields like mining, geology, engineering, law, business, IT, accounting or finance, and 20 years experience (with 5 years in a senior corporate/administrative position)[70][71]. This is a remarkably specific and high standard for the CEO position, written into law. It virtually guarantees that the CEO will be a seasoned professional rather than a political appointee. The preference for private sector experience suggests they want someone who understands industry dynamics. This could greatly affect the company’s success – a competent, empowered CEO can drive KP-MDMCL to achieve its commercial and developmental goals. The requirement of eminence and broad qualification fields means they can consider top candidates from various relevant domains. By comparison, many SOEs in the region have suffered from inexperienced leadership; KP is clearly attempting to avoid that pitfall by mandating a strong qualification profile. If implemented, this could be akin to how some successful national mining companies (like Botswana’s Debswana or Chile’s Codelco) have often been led by industry veterans.
- **6(8)** lays down certain duties and restrictions for the CEO (and by extension directors and key management). It says the CEO shall be a full-time officer, handle day-to-day administration and any duties assigned by the Board, receive salary/allowances as determined by the Board, and must divest any directorship or interest in any other corporation/company that may lead to a conflict of interest[72][73]. It then adds that this conflict-of-interest provision applies *mutatis mutandis* to all Directors and key management personnel as well[73]. This is a strong ethical governance clause, ensuring that those running KP-MDMCL are not compromised by outside interests.

For example, a Director of KP-MDMCL cannot simultaneously be on the board of a private mining company operating in KP, as that would be a conflict. They must resolve such conflicts (likely by resigning the other position or not holding conflicting stocks). This instills trust that KP-MDMCL will operate transparently and in public interest, not to enrich insiders. It mirrors international standards (e.g., the OECD SOE Guidelines emphasize avoiding conflicts of interest for board members). In some countries, this might be left to codes of conduct, but embedding it in law here gives it teeth.

- **6(9)** empowers the Board to appoint officers, advisers, experts, consultants, and employees as necessary for efficient performance, on terms it deems fit, subject to general or special directions of Government<sup>[74]</sup>. However, a crucial Proviso follows: *subject to Government's directions, the Company has full authority and autonomy to recruit, employ, and remunerate its staff according to its own HR policies and market-based standards approved by the Board.* This is to enable KP-MDMCL to attract specialized talent with market-competitive salaries<sup>[75][76]</sup>. In effect, the government can issue broad guidelines (e.g. adhere to quotas, or salary caps at some multiple of civil service pay?), but within that, the Board can pay what it takes to hire good people. This autonomy in HR is extremely important – it addresses one of the classic failures of public companies where government pay scales make it impossible to hire or retain the best mining engineers, geologists, etc. By exempting KP-MDMCL from those constraints (with Board oversight), the Act tries to ensure the Company can operate like a private firm in the labor market. For example, if KP-MDMCL needs a specialist in GIS or a mining economist, it could offer a competitive package rather than be stuck with low government grades. This approach was successfully used in Pakistan's own OGDCL (Oil & Gas Development Co.) which, as a listed company, pays higher salaries than typical government departments and thus has managed to become a leading E&P company. The intent is clearly spelled out: *"This enables KP-MDMCL to attract specialized talent... ensuring the professional capacity needed for its mandate."*<sup>[77]</sup>. It's refreshing to see such recognition in the legal text itself.
- **6(10)** allows the Government to depute any government servant to KP-MDMCL for up to 3 years, extendable by 2 more years at the Board's request<sup>[78]</sup>. Deputation from civil service could help in two ways: fill certain roles temporarily (say, a finance manager from the Finance Dept for initial setup) or to provide career development for civil servants in a corporate environment. However, by limiting it to 3+2 years, the Act ensures the Company does not become stuffed with deputed bureaucrats indefinitely; the preference remains to build its own cadre of professionals. This provision likely recognizes that initially KP-MDMCL might rely on a few experienced department officers (for liaison or because they have valuable knowledge) but over time should transition to its own staff. Many new SOEs have a blend of deputed staff and direct hires at the start.
- **6(11)** permits the Board to delegate its powers to the Chairperson, CEO, directors, or officers via general or special orders, with any conditions it sees fit<sup>[79]</sup>. This is standard corporate practice to allow efficient operations – e.g., the Board can delegate authority to the CEO to approve contracts up to a certain value, or to a Projects Committee to handle JV negotiations within limits, etc. It ensures not everything needs full Board resolution, which would be cumbersome for daily business.

- **6(12)** declares that the Chairperson, Board members, CEO, and all persons appointed under sub-section (9) (i.e. staff) shall be deemed public servants under Section 21 of the Pakistan Penal Code (PPC)[80]. This is a legal formality that has practical implications: being “public servants” means they are subject to anti-corruption laws (they can be prosecuted for bribery under the PPC and NAB laws as public officials) and it also affords them certain protections (e.g., harsher penalties for those who assault a public servant on duty). It reinforces the point that although working in a company, these individuals have a public duty and accountability. For instance, misuse of authority could attract public sector accountability mechanisms. This dual character (company employee but legally public servant) is common in statutory corporations – it ensures accountability to the state.
- **6(13) & (14)** concern Board decision-making and quorum. Decisions are by majority, *and any decision with financial implications must have majority support of “official directors”*[81]. Quorum is at least 7 members, of which at least 3 must be official directors[82]. “Official directors” presumably means those who are government officials or perhaps ex-officio representatives of the government on the Board. This clause is important to ensure the government maintains control over key financial decisions of the Company. Even though independent/private-sector directors may sit on the Board, if something has major financial impact (e.g., borrowing, large investment, disposal of assets), it cannot be decided solely by independents or the CEO – the government’s own directors must concur in majority. This is a safeguard of the shareholder’s (government’s) interests. It might slow some decisions, but given the company’s profits are public money, it is reasonable. The quorum requirement of 7 with 3 officials ensures meetings aren’t held without sufficient representation of government. Assuming the Board might be around 10–12 members, 7 is a high quorum (to prevent cliques making decisions). These provisions align with public sector governance norms where certain reserved matters require government director approval. It parallels practices in, say, joint venture boards where the major shareholder insists on presence/quorum of its nominees for validity.
- **6(15)** requires that any vacancy in Chairperson, Board member, CEO or any other officer be filled within 90 days[83]. This is to ensure continuity and that the company isn’t hamstrung by long gaps in leadership positions. It also prevents perhaps willful neglect (e.g., not appointing a CEO for long and letting someone act indefinitely). Many corporate laws have similar stipulations for prompt filling of key posts to uphold governance integrity.
- Overall, Section 6 is about structuring KP-MDMCL’s governance to be meritocratic, transparent, and accountable. It brings in concepts from corporate law (independent directors, audit committee), from public law (public servant status, government oversight, conflict of interest rules), and from practical HR needs (market salaries, competitive hiring). In comparison to the 2017 Mines Act, which mainly deals with government bodies like licensing authorities and tribunals, Section 6 reads like a mini-corporate governance code. It shows the drafters aimed to create a *modern company* not run like a typical government department. If implemented in spirit, this could make KP-MDMCL an example of a well-run SOE.

- **Section 7: KP-MDMCL to be Deemed a Local Authority.** This short provision states that the Company shall be deemed a “local authority” under the Local Authorities Loans Act, 1914 and other enabling laws of the country, and for executing any scheme or function under this Act, it shall be deemed to act as a local authority legally authorized to carry out such function<sup>[84]</sup>. The Local Authorities Loans Act, 1914 is a federal law that, among other things, enables local authorities (like municipal bodies) to borrow money under certain terms (often with government guarantees, etc.). By declaring KP-MDMCL a local authority for such purposes, the Act is extending to it the borrowing powers and facilities that local governments have. In practical terms, this likely facilitates KP-MDMCL in raising financing for projects – for example, it may be able to issue bonds or take loans that are backed by government in the manner municipalities do. It might also confer some tax or duty exemptions that local authorities get. This is a clever legal hack to give the Company financial flexibility without writing a whole new borrowing mechanism. Additionally, it might help in land acquisition or implementation of schemes as if it were a public authority. In the Mines Act 2017, the term “local authority” isn’t particularly used in the mining context, so this is an independent empowerment. Benchmark: It is not common to see a company treated as local authority, but some countries have analogous approaches. For instance, India’s state industrial development corporations are sometimes given special status to borrow with government guarantees. Here, by aligning with an old law, KP allows the company to leverage existing legal provisions. One effect could be making it easier for KP-MDMCL to obtain loans from development banks or government lending programs, which often require the borrower to be a government or local body. Now KP-MDMCL qualifies as such.
- **Section 8: Loans.** This section straightforwardly states that KP-MDMCL may negotiate and obtain local or foreign currency loans from local or international financial institutions for the purposes of the Act, provided that when approving such loans, the Board shall act with the prior approval of the Government<sup>[85]</sup>. So, the Company can borrow money (which is expected for capital-intensive mining projects or infrastructure), but government approval is needed for the Board to finalize it. This ensures oversight especially if implicit or explicit guarantees by the government are involved, and to keep debt in check. It aligns with Pakistan’s fiscal framework where provincial entities’ foreign borrowing often requires federal clearance too. Combined with Section 7, this means KP-MDMCL could, for instance, take a loan from a bank or a multilateral like the World Bank for an exploration program, with government sign-off. The 2017 Mines Act had no provision on companies borrowing, since it wasn’t about corporations. Thus, Section 8 fills that need. Notably, many state-owned mining companies globally do borrow heavily to finance projects (Codelco issues international bonds, etc., often with state guarantee). By requiring government pre-approval, KP ensures such debt is coordinated with provincial financial management (to avoid unsustainable liabilities).
- **Section 9: Maintenance of Accounts.** It provides that the Company shall maintain complete and accurate accounts of all its activities in the manner specified by the Board<sup>[86]</sup>. Although simple, this provision stresses transparent bookkeeping and likely adherence to accounting standards. Given it’s a company, Companies Act would anyway require proper accounts and annual financial statements. This section perhaps exists to ensure any special accounting needed for public funds (like the Mineral Development Fund transactions) is done as the Board directs.

- **Section 10: Audit of Accounts.** The Company, with prior Board approval, shall appoint its auditors – a chartered accountancy firm registered with ICAP – to audit its accounts[87]. However, there’s a proviso: if the Government directs, the accounts shall be audited by officials from the Auditor-General of Pakistan’s office or any other special audit arrangements[88]. This dual audit possibility means KP-MDMCL will undergo external audit by a private firm (as per corporate norms, perhaps one of the reputable firms), but the government can also call in the public sector audit (AGP) if needed (AGP usually audits government expenditures and can audit government companies too since public funds are involved). This ensures a high level of transparency and accountability. Many government companies have both audits – one for statutory compliance (company law) and another for public accountability. It is crucial for credibility, especially if large public revenues will flow through it. For comparison, Pakistan’s State Bank or other state enterprises often have this double audit: a commercial auditor plus oversight by the AGP. Internationally, SOEs are often required to have independent audits and also report to state audit institutions. This section aligns with those practices to prevent financial mismanagement.
- **Section 11: Reports to be Furnished to Government.** This section imposes transparency and reporting duties:
  - Under 11(1), besides making arrangements for public disclosure and dissemination of information about its activities generally (and particularly about use of the Fund), the Company must furnish to the Government, as soon as possible after each financial year, an audited statement of its assets and liabilities and transactions at year-end, a profit-and-loss account for that year, and a full report on the Company’s working during that year[89]. Copies of these statements and report shall be published in the official Gazette[89]. This is effectively an annual report requirement, made public. Publishing in the Gazette ensures the transparency is official. This level of disclosure is excellent for accountability: not only the Government but the public and legislators can see how KP-MDMCL performed, how the Fund was used, profits made, etc. Given concerns that state companies can become opaque fiefdoms, Section 11(1) counters that by mandating proactive disclosure. It also aligns with Pakistan’s public financial management norms (e.g., statutory bodies often have to present annual reports to the Assembly). A similar practice is in India, where government companies’ annual reports are laid before Parliament.
  - Section 11(2) adds that the Company may also be required by Government to submit its proposals and plans for the upcoming financial year at a specified time and manner[90]. This is akin to an annual business plan or budget submission. It allows the Government to review and possibly align the Company’s plans with provincial budget cycles and policies. For example, if KP-MDMCL plans to invest in a certain project or require capital injection, it would be flagged in these proposals. It ensures forward-looking oversight, not just after-the-fact reporting. Taken together, Section 11 aims at ensuring KP-MDMCL remains transparent and answerable to the Government and public, with an annual cycle of audit and reporting. This is crucial since the Company will handle significant public assets (mineral rights, revenues) – sunlight is the best disinfectant, as they say. It is in line with international best practices that resource SOEs should report publicly and be subject to legislative scrutiny (the EITI standards also encourage SOEs to publish annual reports; interestingly, Codelco’s transparency law makes it subject to information disclosure requirements just like government entities[91]).

- **Section 12: Profits to be Paid to Government.** It declares that the profits of KP-MDMCL shall be deemed to be the income of the Government and shall be payable to it in such manner and intervals as approved by Government[92]. This effectively means KP-MDMCL will transfer its earnings to the provincial treasury (likely as dividends or special payments). Since the government is the sole shareholder, it is entitled to the profits anyway, but this section formalizes the mechanism. It doesn't force immediate full transfer (the manner/intervals are as approved, which could allow the Company to retain some earnings for reinvestment if the Government so decides). However, it underscores that KP-MDMCL is not for private gain – its profits feed back into public coffers. This is similar to how many state companies operate: for example, Codelco by Chilean law turns over all its pre-tax profits to the state (and also had an ad hoc 10% revenue tax for the military historically)[93]. In 2024, the Chilean Finance Minister authorized a capitalization of 30% of Codelco's profits back into the company, meaning 70% still went to treasury[94]. In KP-MDMCL's case, presumably the Government can approve something like: e.g., annually decide what dividend to take and what to leave for the company's growth, balancing public finance needs and company capital needs. For legislative context, the 2017 Mines Act did not speak of company profits – royalties under that Act go to government by definition, but now this new source (company profits from investments) will also bolster provincial income. Over time, if KP-MDMCL succeeds, this could be substantial; for instance, one of the goals of establishing state participation is to create a revenue stream beyond royalties (royalties are usually a small fraction of profits). Ghana, as mentioned, has a 10% free carried interest that yields dividends to government[21]; similarly, KP's 5% free carry and any direct mining profits via KP-MDMCL will be additional provincial income. The prudent use of this income is vital. It might feed into the general budget or possibly into the Mineral Development Fund (if so decided). Section 12 doesn't mention the Fund, just the Government's income. Likely, general revenues will benefit and then some be reallocated via budget or by using the Fund mechanism (discussed later).
- **Section 13: Exemption of Provincial Taxes and Levies.** This provision grants KP-MDMCL a tax holiday and broad fiscal relief at the provincial level:
  - Sub-section (1) says “*notwithstanding anything in any other law*”, KP-MDMCL shall be exempt from all or any government taxes, duties, cesses, fees, charges or other amounts under any provincial statute for a period of five (5) years[95]. Essentially, for the first five years of its operation after enactment, the Company doesn't have to pay provincial taxes (this could include sales tax on services, provincial excise, stamp duties, motor vehicle tax, property tax, etc., as applicable). This exemption can significantly reduce its operating costs initially. It is a form of government support, ensuring the Company retains more earnings to build capital.
  - Sub-section (2) further states that after the 5-year period, the Government may, if requested, exempt the Company from onward payment of any provincial taxes, etc., on such terms and conditions as it determines[96]. This means the tax holiday could be extended or made partial depending on government policy then. The phrase “irrespective of vesture of powers to exempt or otherwise” implies this section is giving the Government a special authority to extend exemptions even if normally those taxes are outside discretionary waiver (some taxes can only be waived by law; here this law pre-authorizes it for KP-MDMCL).

This generous tax exemption reflects that KP-MDMCL is essentially an arm of the government – taxing it would be a circular transfer (money from one pocket to another). So, they choose to forego that formality to allow the Company to plough back resources into projects. Many jurisdictions do similar: Kazakhstan’s state mining company might get certain tax privileges; Saudi Arabia’s Ma’aden had tax holidays initially as it was strategic. Even within Pakistan, some development corporations get exemptions or government picks up certain tax tabs. After five years, presumably once the Company is profitable and stable, the government might bring it onto the tax roll, but even then Section 13(2) leaves it open to continue exemptions if justified (perhaps if Company margins are slim or to keep it competitive).

It is important to clarify this is only for provincial levies. Federal taxes (income tax, customs duty, GST on goods, etc.) are not within provincial power to waive, so KP-MDMCL will still be subject to those unless separate federal incentives are given. But provincial taxes can be significant (e.g., a large machinery import might have provincial motor vehicle tax; services consumed might have KP sales tax on services, etc.). So this is a valuable support.

From a fiscal perspective, this shows the government is willing to invest in the Company by forgoing short-term revenue, expecting higher long-term gains (like more profit or increased overall economic activity).

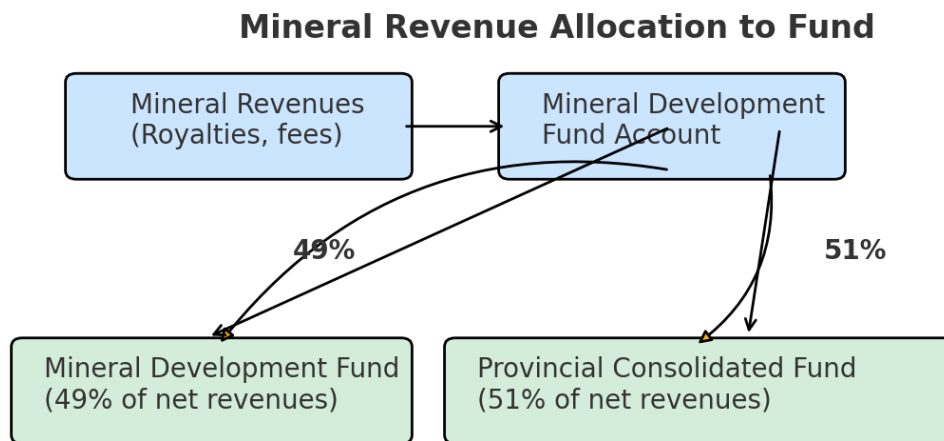
- **Section 14: Regulations.** This grants the Board the power to frame regulations (by publication in official gazette) for the Company’s internal management, performance of its functions, and for the regulation and management of the Mineral Development Fund, and to give effect to any of its powers, duties, and responsibilities under this Act or other provisions<sup>[97]</sup>. Essentially, while the Government can make *rules* under Section 19 (later), the Board itself can make *regulations* specifically to govern internal matters and how it manages the Fund. Regulations made by the Board would typically cover things like detailed procedures for project evaluations, HR policies, procurement guidelines for the Company, operating procedures for how the Fund Board (Section 15) will work with the Company’s proposals, etc. They have to be gazetted, meaning they are formal and have legal weight subordinate to the Act.

This is a sensible division: Government sets broad rules (policy-level or anything affecting third parties), Company’s Board sets regulations for day-to-day and for running its unique instruments like the Fund. It ensures agility – the Board doesn’t need to ask the provincial cabinet to approve every operational detail; they can promulgate regulations swiftly as needed (still subject to not conflicting with the Act or any rules).

For example, the Board might make Financial Regulations dictating how investments are approved or how accounts are maintained; or HR Regulations detailing recruitment process referencing Section 6(9); or Fund Management Regulations outlining how KP-MDMCL can apply for Fund loans (tying into Section 15). Because the Act explicitly mentions the Mineral Development Fund management in Section 14, it implies the Board will have a role in setting the processes for using that Fund (in conjunction with or under oversight of the Fund’s own Board in Section 15). We will discuss the Fund next, but basically Section 14 empowers KP-MDMCL’s Board to ensure the new mechanisms introduced by this Act are operationalized through clear regulations. The 2017 Mines Act allowed the Government to make rules for the mining sector; now this Act creates a parallel regulatory-making power specifically for KP-MDMCL’s domain.

In summary, Part II (Sections 4–14) of the Act establishes KP-MDMCL as a robust, multi-functional mining sector company with a wide mandate, and puts in place a modern governance structure to ensure it operates efficiently, transparently, and in alignment with government policy. The numerous safeguards (audit, reports, government directives, conflict of interest, etc.) aim to address common pitfalls of state enterprises, while the powers and financial autonomy given aim to emulate the success factors of leading international examples. If implemented well, KP-MDMCL could serve as a model for public-sector led mineral development in Pakistan, driving growth and ensuring the province captures a greater share of mining benefits – much as state-backed companies have done in countries like Chile, Botswana, and Canada (Cameco’s origin as a government initiative, for example, ultimately led to significant value creation<sup>[98]</sup>).

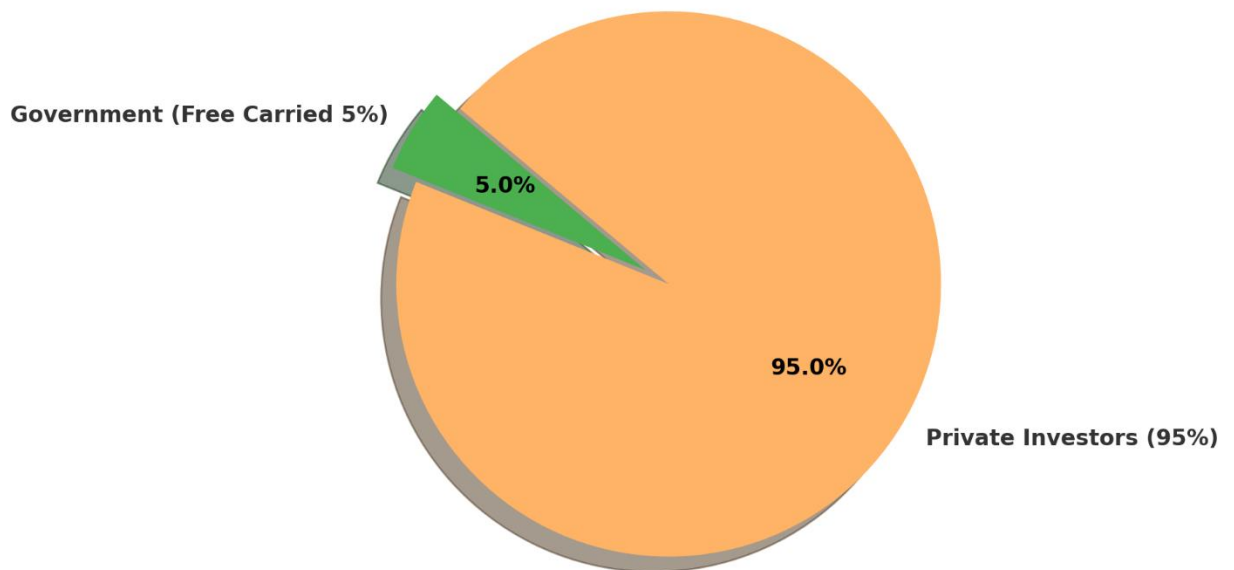
Before moving on, it’s worth visualizing two key concepts introduced so far – the Mineral Development Fund structure and the Free Carried Interest model – which will be discussed in detail next, but a preliminary illustration can aid understanding:



*Infographic: Structure of the Mineral Development Fund (MDF) and Revenue Flow. Description: A flow diagram showing that 49% of net mineral revenues (royalties, fees, etc.) will be allocated to the Mineral Development Fund, while 51% will go to the Provincial Consolidated Fund (general revenue). The MDF is a dedicated fund managed by a Fund Board and used for reinvestment in the mineral sector.*

*Infographic: 5% Free Carried Interest Model. Description: A pie chart illustrating the mandatory 5% equity stake that the Government (via KP-MDMCL) will hold in large-scale mining projects, with private investors holding the remaining 95%. The Government's 5% share is free (no cost) and non-dilutable, entitling it to 5% of dividends and distributions from the project.*

**Free Carried Interest Model: 5% Government Equity**



*(The specifics of the Fund and free carried interest are explained in the following sections, but the above visuals provide a quick overview of these innovations.)*

### Part III – Mineral Development Fund (Section 15)

One of the most novel features of the KP MDMCL Act 2025 is the creation of a Mineral Development Fund (MDF) to channel a portion of mineral revenues back into the sector's development. This addresses a longstanding policy challenge: ensuring that wealth generated from mineral extraction is reinvested to sustain and expand the industry (and its benefits) for the future, rather than all going into general consumption. Section 15 establishes and governs this Fund:

- **Section 15(1): Establishment of the Fund.** It mandates that notwithstanding any other law, the Government “*shall establish*” via notification a dedicated financial instrument known as the “Mineral Development Fund (MDF)” for the purpose of reinvestment in the mineral sector, including *exploration, value addition, environmental protection, infrastructure, and institutional capacity-building*, and also to meet expenses related to KP-MDMCL’s affairs<sup>[99]</sup>. This clearly defines the Fund’s scope as broad developmental spending in mining (from exploration surveys to eco-friendly practices, and building capacity both human and institutional), and even to cover some of KP-MDMCL’s own costs if needed (ensuring the Company can be financially supported for sector work that may not be immediately profitable). By establishing MDF through this Act, it gains permanence and protection from lapsing (further reinforced in sub-section 15(12) that it’s non-lapsable<sup>[100]</sup>). It is somewhat akin to a sovereign wealth fund or extra-budgetary fund dedicated to a sector.

This concept parallels initiatives elsewhere: for instance, **Ghana** in 2016 created a **Minerals Development Fund** by law to allocate a fixed percentage of mining royalties for local development projects and funding the Minerals Commission. Many jurisdictions, including certain states in the U.S. and provinces in Canada, set aside a portion of resource revenues for reinvestment or future generations (the famous example being **Alberta’s Heritage Fund** from oil, and more directly comparable, **Western Australia’s Royalties for Regions program** which from 2008 earmarked 25% of mining and petroleum royalties for regional development<sup>[101]</sup>). In fact, Western Australia’s policy explicitly put royalties into a special fund capped annually, to ensure continuous investment in the regions that produced the resources<sup>[102]</sup>. KP’s MDF is similar in spirit: taking a portion of mining revenue off the top for reinvestment in the sector itself (and by extension, communities and the province’s development through that sector).

- **Section 15(2): Funding Source – Revenue Allocation Formula.** This is a crucial financial provision. It states that the Fund shall be primarily financed through an allocation from the net surplus of royalty and other mineral-related receipts, after deducting collection and operational costs of the Department, DG Mines & Minerals, and related agencies. Specifically, 49% of that net surplus is to be credited to MDF on a monthly basis (with quarterly reconciliation), and the remaining 51% goes to the Provincial Consolidated Fund (general revenue)<sup>[103]</sup>.

This effectively means almost half of the province’s mineral revenue (royalties, fees etc., net of admin costs) will be ring-fenced for the MDF. Previously, under the 2017 Act and general public finance, all such revenue would go to the Provincial Consolidated Fund (PCF) and could be used for any purpose. Now, there’s a fixed split: 49:51 between reinvestment fund and treasury. This is a transformative fiscal policy. By guaranteeing nearly half of mineral revenues for sector development, KP ensures a sustainable financing loop for mining growth.

To illustrate, if KP collects PKR 100 in royalties (after admin costs) from a mine, PKR 49 would go into MDF (for further exploration, training, etc.) and PKR 51 into the general budget. This resembles the Western Australia model noted above (25% of royalties to development fund) but is even more aggressive at 49%. It reflects the province's commitment to accelerate mineral sector development – essentially spending about half of current income to generate future income. It's similar in concept to a company reinvesting profits rather than paying all out as dividends. Given that KP-MDMCL's whole purpose is to expand and improve mining, MDF is its war chest.

Legally, this allocation is reinforced by Section 18 (amendment to 2017 Act) which we'll see later, ensuring the Mines Act recognizes this distribution. Such earmarking in law prevents easy diversion of funds by future governments, as altering it would require amending the Act. It's worth noting how extraordinary this is in public finance – typically finance departments resist earmarking (because it reduces flexibility). KP is essentially prioritizing mining akin to how some governments prioritize education or health funding percentages. The wisdom is that minerals are a depleting resource; using today's mineral revenue to find tomorrow's mines and build capacity can create a virtuous cycle rather than a short-lived boom.

**(Infographic Recap):** From the earlier embedded image, one can see the flow: mineral revenues → split 49% to MDF account, 51% to PCF[101]. This stands out as a progressive policy that some other provinces or countries might emulate if successful. The approach aligns with resource-led development theories which argue a portion of rents should be plowed back to ensure long-term sectoral sustainability.

- **Section 15(3): Other Sources of Fund Income.** In addition to the above royalty share, the Fund shall also consist of: **(a)** direct investments by Government (e.g., seed money from budget), **(b)** grants by Government, **(c)** loans from Government, **(d)** loans from scheduled banks, lending institutions, multilaterals, development partners, and other sources (including foreign loans), **(e)** all other sums received or deposited in the Fund[104][105]. So MDF is not solely reliant on the royalty allocation; it can be topped up by budgetary allocations or even borrow funds or accept grants. This provides flexibility – e.g., the provincial government could decide to put an extra PKR 1 billion from its budget surplus into MDF in a good year, or KP-MDMCL could arrange a World Bank credit line dedicated to the Fund for, say, an extensive geophysical survey program. “Other sums received” could include donations, or perhaps returns on investment of the Fund itself. Essentially, MDF can grow from multiple streams, not just the fixed 49% royalties.
- **Section 15(4): Vesting and Operation of the Fund.** The Fund shall vest in a Fund Board (a governing body for the Fund), and all reserved amounts (the 49%, etc.) shall be transferred into a separate fund account, to be maintained and operated by a Fund Manager under supervision of the Fund Board and according to rules/guidelines prescribed by the Government[106][107]. This sets up a governance mechanism for MDF distinct from KP-MDMCL's own Board (though they will likely coordinate). The money is not kept in KP-MDMCL's account or general revenue; it's a dedicated account (likely at Bank of Khyber or State Bank) earmarked as MDF. The Fund Board is the custodian and decision-maker on use (with oversight from Government via guidelines). This is similar to how many investment funds or endowments are managed by a board of trustees.

- **Section 15(5): Composition of the Fund Board.** It specifies the members of the Fund Board as:
  - The Chief Secretary of KP (the top bureaucrat) as Chairperson.
  - The Additional Chief Secretary (Planning & Development) as Vice-Chair.
  - The Secretary, Mines & Minerals Department.
  - The Secretary, Finance Department.
  - A professional Fund Manager, appointed by Government with prescribed qualifications (until appointed, Government may designate a government servant not below Additional Secretary rank as Fund Manager)<sup>[108][109]</sup>.

This is a high-powered board, comprising the key administrative heads of the province plus a Fund Manager. Notably, it does **not directly include any representative from KP-MDMCL** (neither the CEO nor the Chair of KP-MDMCL’s Board are mentioned). This suggests the Fund Board is more of a government body ensuring fiduciary oversight and alignment with broader development goals, while KP-MDMCL will be an applicant/beneficiary of the Fund rather than controller. The inclusion of P&D and Finance secretaries ensures integration with provincial development planning and fiscal management. The Chief Secretary heading it gives it authority and signals that the Fund usage will be seen in the context of provincial priorities. The professional Fund Manager is essentially the CEO of the Fund’s operations – potentially an expert financier or development specialist who can advise on investments of the Fund’s monies and evaluate funding proposals.

This composition mirrors some sovereign wealth fund boards (for example, the board of Nigeria’s Sovereign Investment Authority includes government officials and independent experts). It also ensures inter-departmental coordination: Mines Dept will bring sector knowledge, Finance will watch sustainability, P&D will ensure projects fit development plans.

- **Section 15(6): Fund Board Meetings.** The Fund Board can meet as needed, either when requisitioned by any member or at the request of the Company (KP-MDMCL)<sup>[110]</sup>. Decisions are by majority; in absence of the Chair (CS), the Vice-Chair (ACS P&D) presides. Quorum is at least 3 members<sup>[110][111]</sup>. With 5 members total, 3 is a reasonable quorum. The fact that meetings can be called at the request of KP-MDMCL is important – it ensures the Company can prompt the Board to convene to consider funding needs for a project without waiting for bureaucratic scheduling. This is responsive governance.
- **Section 15(7): Functions of Fund Board – Oversight and Approvals.** The Fund Board, subject to any overarching directions of Government, shall exercise oversight over the Fund and approve: (a) Fund investment policies; (b) Annual fund utilization plans; (c) Standard Operating Procedures (SOPs)<sup>[112]</sup>. So the Board’s main roles are policy-setting and approving how the money will be invested or spent each year, and establishing SOPs for its operation. “Investment policies” would cover how surplus money in the Fund is invested (e.g., can they invest in bank deposits, or in bonds, etc., to earn interest until needed – which relates to sub-section (10) discussed below). “Utilization plans” likely mean each year’s plan of projects or disbursements from the Fund must be approved (like a budget for the Fund’s spending). This aligns the Fund with disciplined planning akin to the budget process. The Government may issue directions (just as it can for KP-MDMCL) – perhaps broad guidance like focus on certain minerals or regions, or not to exceed certain spending without results, etc. But primarily, the Board is in charge of ensuring the Fund is used effectively and safeguarded.

- **Section 15(8): Permissible Uses of the Fund.** Without prejudice to generality, the Fund shall be utilized for:
  - **Capacity-building and institutional strengthening of the mineral sector** (e.g., training programs, technical assistance, maybe modernizing the Inspectorate or digital systems).
  - **Geological surveys and exploration enhancement** (so funding new mapping projects, geophysical airborne surveys, drilling incentives).
  - **Infrastructure development in mineral zones** (roads, power, water targeted at mining areas as identified earlier).
  - **Promotion of environmentally sustainable and mechanized mining** (grants for safety equipment, pilots of new mining tech, or reclamation projects, etc.).
  - **Development of mineral parks and value chains** (like establishing industrial estates, common facilitation centers for processing).
  - **Any other project approved by the Fund Board.**[\[113\]](#)[\[114\]](#).

This is a comprehensive list addressing all critical gaps: skills, data, infrastructure, technology, value addition. It reflects a holistic understanding that mining development isn't just digging ore; you need upstream exploration and downstream processing and everything in between. The last clause gives flexibility to approve projects outside these categories if justified. Notably, funding KP-MDMCL's own operational expenses is not explicitly listed here (the Act mentioned earlier the Fund can meet expenses in connection with affairs of KP-MDMCL[\[99\]](#), so presumably those would fall under capacity-building or "any other project" or possibly "institutional strengthening"). For example, the Fund might finance KP-MDMCL to hire a team of geologists for regional exploration, which is both capacity building and exploration enhancement.
- **Section 15(9): KP-MDMCL's Access to the Fund.** It states KP-MDMCL may bring proposals to and seek financial assistance from the Fund for different projects in line with the Fund's object. The Fund Board, after thorough review, if it finds merit, may advance loans to the Company on terms and conditions approved by the Board[\[115\]](#)[\[116\]](#). This clarifies that money from the Fund to KP-MDMCL is not a grant but a loan. So the Company will borrow from MDF for particular projects. Those projects must align with Fund's objectives (which likely any mining project or exploration venture would). The Board will scrutinize them and, if approved, the Company gets capital to execute, which it must presumably pay back under agreed terms (perhaps after the project yields revenue). This is wise – it keeps the Fund revolving; it's not a giveaway slush fund, but a means to invest in projects that then return money (through loan repayment, possibly with interest) so the Fund can continue. That said, there might be instances where the Fund Board could decide to fund a public-good project as a grant (the law doesn't explicitly mention grants to the Company, but "loans" is the word used). For transparency, treating it as loans even if interest-free ensures accountability – KP-MDMCL can't just take Fund money and lose it without trace; it owes that money, incentivizing proper use.

This relationship is analogous to a mining development bank within the province: the Fund Board being the bank, KP-MDMCL the client/implementer. Many countries have such funds that finance geological exploration or small-scale miners – e.g., Ghana’s MDF provides grants to geological survey and projects, Chile’s CORFO (development agency) had programs to co-fund mining R&D, etc. KP’s model appears to revolve primarily around KP-MDMCL as the executing arm for projects, though conceivably, other entities (like Mines Department or even private sector for some training schemes) might also get Fund support if Board approves (“any other project” leaves room, but likely the Company is the main beneficiary).

- **Section 15(10): Investment of Idle Funds by KP-MDMCL.** If KP-MDMCL receives financial assistance from the Fund, and has moneys not immediately required for expenditure, it is not precluded from investing those moneys in securities listed in Section 20 of the Trusts Act 1889, in fixed deposits in a bank approved by Government, or any other manner directed by Government<sup>[117]</sup>. This means if the Company took a loan for a project but the project cashflow doesn’t need all money at once, it can park the surplus safely (Trusts Act Section 20 lists approved secure investments, like government bonds, etc.). Essentially, it encourages prudent treasury management so funds don’t lie idle without return. It also hints that the Company could earn interest on temporarily idle funds which could help repay the loan or fund the project later. It also prevents mischief like using the funds for something else – they must be invested in safe instruments, not, say, speculative ventures.
- **Section 15(11): Fund Audit Committee.** The Fund Board may, if it deems appropriate, constitute a separate and dedicated Fund Audit Committee which may include the Secretary Finance and such other officers or advisors as the Board chooses<sup>[118]</sup>. This is an extra governance layer to assist the Board in decisions about the Fund’s allocation and spending. Given the high-level composition of the Board, an Audit Committee (perhaps including technical experts or external auditors) can scrutinize proposals and fund accounts in detail and advise the Board. Secretary Finance is explicitly mentioned as possibly included (even though he’s already on the Board), likely to emphasize financial oversight. This committee would further ensure funds are used as intended and any irregularities are caught early.
- **Section 15(12): Non-lapsability of the Fund.** It declares the Fund shall be non-lapsable – unspent amounts carry forward and do *not* lapse at fiscal year end<sup>[100]</sup>. In government budgeting, normally any unused budget allocation expires at year-end; by making MDF non-lapsable, they free it from that constraint. This is crucial because many projects in mining span multiple years, and the revenue flows may not align neatly with spending cycles. The Fund can accumulate a balance over years to finance a big project or cushion downturns. It is analogous to a rolling fund or endowment that can grow over time. For example, if in one year mining revenues are high but there aren’t immediate projects, the money stays in MDF for future use, rather than getting swept into surplus and possibly spent on unrelated things. This feature again mirrors sovereign wealth funds, which are by nature non-lapsable and often multi-year (or perpetual) funds.
- **Section 15(13): Fund Audit.** The Fund Board, being custodian, shall ensure independent audit annually of the Fund and all activities undertaken with it<sup>[119]</sup>. This likely means apart from KP-MDMCL’s own audit, the Fund itself (the separate account and its disbursements) will be audited (possibly by the Auditor-General or a firm). Given the Fund may finance multiple projects, an audit can verify that each disbursement was used in line with approvals, that KP-MDMCL (or any borrower) is repaying, etc. This final clause completes the accountability framework around the Fund.

To sum up, Section 15 creates a dedicated Mineral Development Fund managed by top officials (plus a professional manager) that captures 49% of net mineral revenues and uses them to finance strategic investments in the mining sector, largely through loans to KP-MDMCL. This is arguably one of the most forward-looking elements of the law, aiming to break the cycle of under-investment in exploration and sectorial development that plagues many resource-rich regions. By ensuring a steady funding mechanism, KP is positioning KP-MDMCL (and the province) to systematically exploit its mineral potential. This aligns with global best practices where ring-fenced funds are used to smooth out commodity cycles and invest in the future. A comparison worth noting is the National Mineral Exploration Trust in India, where a certain percentage of royalty is set aside for exploration of minerals – similarly acknowledging that not all mining revenue should vanish into general consumption, some must find the next mines. KP’s approach is broader (not just exploration but all aspects including environment and communities).

From a policy perspective, one can anticipate positive outcomes if executed well: more discoveries (through funded exploration), improved mining practices (through capacity building and mechanization support), better infrastructure attracting investors, and overall a more sustainable sector. The challenge will be maintaining discipline – ensuring the Fund Board selects good projects and that political pressures don’t divert the Fund to unrelated uses. The composition of the Board and audit requirements are aimed at maintaining that discipline.

In terms of integration with the 2017 Act: At this point, the Act (through Section 3 and Section 18 to follow) inserts the definition of Mineral Development Fund into the Mines Act and sets up how royalties are split. The Mines Act itself did not have a mechanism for earmarking royalties (except that Section 62 of the Mines Act allowed auction proceeds to go to government). After this law, any references to royalty collection in Mines Act will need to consider the MDF mechanism.

## Part IV – Integration with the 2017 Mines & Minerals Act: Preferential Rights, State Equity, and Revenue Sharing (Sections 16–18)

Part IV of the KP MDMCL Act 2025 consists of sections that **amend or override specific provisions of the Khyber Pakhtunkhwa Mines and Minerals Act 2017** to integrate the new role of KP-MDMCL and implement new policy measures (like the free carried interest and revenue sharing). These sections ensure the two laws work in tandem and that KP-MDMCL’s special status is recognized in the mining title regime.

- **Section 16: Exemption from Competition, etc.** This section has three sub-clauses that carve out special treatment for KP-MDMCL in the process of acquiring mineral titles under the 2017 Act:
  - **16(1):** “*Notwithstanding anything contained in Section 10 of the 2017 Act,*” if KP-MDMCL applies for grant of any mineral title under that section, **it shall be exempt from the procedure provided therein**<sup>[120]</sup>. To decipher this, we recall Section 10 of the Mines & Minerals Act 2017 (as amended up to 2019) deals with “**Exemption**” – which actually allowed the government’s Mineral Title Committee to grant licenses or leases for any un-granted area under special terms (often involving profit-sharing) but with a proviso for competitive bidding for profit-share proposals<sup>[121][122]</sup>. In essence, Section 10 instituted a requirement that if a proposal came (from any public or private entity) for a profit-sharing arrangement, the government must advertise and invite competing bids to ensure the maximum profit share for government<sup>[122]</sup>. Now, Section 16(1) says *notwithstanding that*, if KP-MDMCL is the one applying, it doesn’t have to go through that competitive bidding process. **This is a significant advantage:** it gives KP-MDMCL a kind of *right of first refusal* or direct award privilege for mineral titles, especially those involving profit-sharing schemes, without the need to tender and compete with others.

In simpler terms, if KP-MDMCL wants a particular area or proposes a joint venture where it takes a share of profits, the government can directly grant it to KP-MDMCL rather than auctioning that opportunity. The rationale is clear: KP-MDMCL’s profits anyway belong to the state (as per Section 12), so making it compete with private bidders (who would take profits out as private gain) is unnecessary. It streamlines state participation. However, this is somewhat bold because it bypasses competition which could in theory get higher bids. But the trade-off is the state company ensures long-term revenue instead of a possibly higher short-term bid from a private party.

**Implication:** This essentially makes KP-MDMCL the preferred vehicle for any lucrative deposit or profit-sharing venture. The government can choose KP-MDMCL to develop it, rather than offering it to the highest bidder. This might be used if, for example, a high-value deposit is discovered by a survey (like a gold prospect). Instead of auctioning to a private multinational for an upfront premium, the province might assign it to KP-MDMCL to develop (likely with a JV partner) so that profits flow to the province over time. This approach mirrors strategies in some countries that reserve certain strategic mineral areas for state entities. For instance, Kazakhstan often gives the national mining company (Tau-Ken Samruk) priority rights to strategic deposits. India has in the past reserved certain coal blocks for state companies.

The goal is to ensure public control and benefit. Of course, it places a responsibility on KP-MDMCL to have the capacity to actually develop those titles; otherwise, the resource could stagnate. The exemption from competition is thus a double-edged sword: beneficial if KP-MDMCL is efficient, but if not, it could slow project development compared to a competitive private entrant.

- **16(2):** KP-MDMCL is also exempt from proceedings under Sections 62 and 62A of the 2017 Act if it applies for a mineral title in respect of any area having proven mineral reserves<sup>[123]</sup>. Section 62 of the Mines Act required that areas with proven reserves discovered (for example by government surveys or after cancellation of a lease with proven reserves) be leased out through open auction<sup>[124][125]</sup>. Section 62A allowed the government to invite competitive bids for any area not under license (open bidding even without prior discovery)<sup>[126][127]</sup>. These were meant to ensure transparency and value maximization for known resource areas. Now, if KP-MDMCL is the applicant for such an area, this clause exempts it from those auction/bidding requirements. In practical terms, if there's a known deposit (say a surveyed iron ore reserve in district X), normally it should be auctioned publicly. But with this law, the government can directly award it to KP-MDMCL without an auction. This cements KP-MDMCL's preferential access to high-potential areas. It sidesteps what might have fetched a large auction premium, in favor of letting the state company capture the value through operations. The justification, again, is that state ownership of the extraction yields long-term revenue, and perhaps more control over how the resource is developed (ensuring local processing or environmental safeguards as desired by government).

**Comparative context:** Many countries have exactly this – state mining enterprises often get first pick of projects. For example, in China, state-owned companies are routinely awarded prime mining leases. In Mongolia, certain large deposits are declared "strategic" and the state (via company or directly) must hold a certain share. Here, rather than mandating a share, KP simply allows its company to be the sole developer if chosen. On the flip side, removing competition can raise concerns: will KP-MDMCL operate with the same efficiency and technology as a would-be highest bidder? To mitigate that, KP-MDMCL can and likely will bring in a private partner (via JV as allowed by Section 4(d)). So instead of the government tendering the block to, say, a foreign firm for a one-time fee or royalty tax, KP-MDMCL could partner with that firm, contributing the mineral rights in kind, and thereby secure not only royalties/taxes but also share of profit (through carried interest or equity). That may yield more total value over the mine life to the province, albeit delayed and contingent on success. It's a strategic choice favoring long-term rent extraction over short-term auction windfalls.

- **16(3):** A general clause that Government may from time to time exempt KP-MDMCL from any procedural or other requirement prescribed under any law for smooth operation of the Company<sup>[128]</sup>. This broadens the special treatment beyond the Mines Act. For example, if certain procurement rules or environmental clearance steps hinder the Company unduly, Government could exempt it (though one hopes not from critical safeguards like environment, more likely from things like using certain standard contract approvals). It's quite a sweeping power – effectively, if a law is causing red tape for the Company, the Government can waive it for them. This shows strong resolve to not let bureaucracy stifle KP-MDMCL. However, it should be used carefully to avoid perceptions of favoritism or lax standards. Ideally, it's meant for streamlining, not bypassing substantive checks.

In sum, Section 16 solidifies KP-MDMCL's privileged position in KP's mining sector – it can bypass competitive allocation processes that others are subject to. The Mines Act's spirit of fairness and maximizing immediate public value is partially set aside on the premise that KP-MDMCL ultimately secures that value for the public in another way. Policy-makers clearly view KP-MDMCL as an instrument to increase provincial share in the mineral wealth, so they are giving it every legal edge. Time will tell if this leads to better outcomes (e.g., more local processing, stable revenue flows) or if it could reduce investor interest due to fewer open opportunities (private firms might shy away if they think the best deposits will all go to the state company). However, the law doesn't mandate that every area *must* go to KP-MDMCL – it just provides the option. The Government can still choose to auction some areas if that seems more beneficial or if KP-MDMCL is at capacity.

- **Section 17: Insertion of Section 20C in the 2017 Act – Government's Free Carried Interest in Large-Scale Mining Operations.** This is a major substantive addition to the mining legal regime: it creates a mandatory 5% free carried interest for the government in all large-scale mining projects. We briefly saw an infographic; now the detail:

- **Sub-section (1)** declares that “*notwithstanding existing commitments and obligations*” (so it respects rights under existing licenses and agreements) and “*in addition to any royalty, fee, tax, or charge*” under any law, the Government shall be entitled to, and the holder of any large-scale mining title shall grant to the Government, a 5% free carried interest in the equity of the title holder<sup>[129][130]</sup>. This is made a “*fundamental condition precedent*” to the grant or renewal of any large-scale mining title under the Act<sup>[131]</sup>.

This means for all *new* large-scale mining leases (and renewals), the company getting the lease must allocate 5% of its equity shares to the Government (for free, with no cost to government). Large-scale is likely defined in rules (commonly by investment or production size). This mechanism is separate from royalties/taxes – it's an ownership stake, albeit small. It aligns with practices in several countries aiming to increase state participation: as cited earlier, Ghana has a 10% free carry<sup>[21]</sup>, Tanzania 16%<sup>[19]</sup>, Senegal 10%, Guinea up to 15%, etc<sup>[22]</sup>. Pakistan's federal or other provincial mining laws did not have such a provision until now, so KP is breaking new ground domestically.

The “existing commitments” caveat likely means it won't retroactively apply to mines already operating or in agreement (to avoid violating contracts or discouraging investment by changing terms mid-stream, and to avoid legal challenges possibly under stability clauses). But for new grants, it's a clear requirement. This effectively guarantees Government (via KP-MDMCL as per sub-section (4) later) will be a minor shareholder in every big mining venture.

- **Sub-section (2)** stipulates the terms of this carried interest: (a) It's *free* – Government pays nothing for it and has no obligation to contribute capital for its acquisition or upkeep<sup>[132]</sup>. (b) It's *non-dilutable* – meaning the Government's 5% equity remains a fixed proportion even if the company issues more shares or raises more capital; the other shareholders' stakes dilute instead<sup>[133]</sup>. This protects Government from being “watered down” by future investments. (c) If the Title Holder is a company with multiple business activities, the 5% free carry relates only

to the segment of its business tied to the mining operations under that title – not to its entire diversified assets[134].

In other words, if a conglomerate holds the mining lease, Government’s 5% is effectively in the mine project, not in unrelated ventures of that company. The rule-making will prescribe how to segregate that attributable equity[135], perhaps by ring-fencing the project in a subsidiary or tracking profit allocation.

These conditions are investor-sensitive: free and non-dilutable are what make it valuable to Government (and costly to investor). Ensuring it’s confined to mining project avoids Government accidentally claiming 5% of say a company’s power plant or other holdings just because the same entity holds a mine. This nuance indicates fairness – Government doesn’t want an unearned slice of non-mining assets, only of the resource extraction venture.

Comparatively, Tanzania’s law also defines free carried interest similarly (no cost, non-dilutable, Government not obliged to contribute)[136][19], and in practice they often require a separate joint venture for the mine so the equity is clearly allocated. Ghana also doesn’t contribute to capital for its 10%. The non-dilution clause is vital; Ghana initially did not clarify that and sometimes its share could dilute if it didn’t participate in expansions, but KP’s law closes that loophole strictly.

- **Sub-section (3)** outlines how Government will enjoy the benefits of this 5% interest. It says Government’s entitlement to yields (dividends, etc.) accrues from when the title holder starts commercial production and has distributable profits[137]. The procedure specified: (a) The title holder must furnish KP-MDMCL regular financial statements, including audited annual accounts, clearly showing the profits from the mining operations[138]. (b) Government (through KP-MDMCL as its entity) is entitled to receive its pro-rata share (5%) of all dividends, bonuses, or distributions declared from the profits of the mining operations, in line with its equity[139]. (c) When dividends are declared, the title holder must pay the Government’s share directly to KP-MDMCL’s designated bank account within a prescribed period[140]. (d) To ensure transparency and correct accounting, Government/KP-MDMCL can on reasonable notice inspect or audit the title holder’s books and facilities related to the mining operations[141]. (e) Any dispute regarding interpretation, calculation, or payment of Government’s share shall be resolved according to the dispute resolution mechanism in the title agreement or rules[142]. (f) If a person fails to pay any amount due as carried interest share, a fine of 1% per month on the unpaid amount is payable from due date until fully paid[143]. (g) Besides other remedies (which rules may prescribe), if any dues under this section (like dividends) are unpaid, they are recoverable as arrears of land revenue[144]. (h) In addition, in case of default, KP-MDMCL shall have similar powers as a licensing authority under Section 69 of the Mines Act to ensure recovery – Section 69 of Mines Act allows license cancellation or other enforcement for non-payment of royalty[145]. An explanation defines “distributable profit” in usual terms (net profit after taxes/reserves)[146]. This elaborate framework ensures Government actually gets the cash flow from its equity and can enforce it. The audit right (3)(d) is particularly significant – it allows state scrutiny of the company’s financials to prevent under-reporting of profits (a common concern that companies might shift profits out to avoid sharing).

The dispute resolution clause signals this could be part of the mining agreement terms or via rules – possibly arbitration or local courts, to avoid prolonged uncertainty. The fine and treating as arrears of land revenue (which gives government strong collection powers including attachment of property) are sticks to ensure compliance.

It parallels how royalty non-payment is treated (land revenue recovery is a powerful tool in South Asian legal systems). Also giving KP-MDMCL similar enforcement power as the regulator for non-payment is interesting – it means KP-MDMCL can perhaps request license suspension for non-payment of its dividends, akin to if royalty wasn't paid.

Collectively, these measures reflect lessons from other countries: simply legislating a free carry is not enough; you must set up mechanisms to monitor mining company finances and secure payment. Many African countries have struggled to get meaningful revenue from their carried interest due to accounting practices by companies. KP is preemptively empowering itself to prevent that. This aligns with best practice advice (e.g., the World Bank has guidelines on administering state equity – requiring audited accounts and audit rights[147]). For example, Tanzania also has rights to board representation for its 16% and oversight of financials[148] (KP's law doesn't explicitly say Government gets a board seat for 5% – likely not, given 5% is small; but KP-MDMCL could still be given an observer seat through agreements potentially).

- **Sub-section (4)** explicitly designates KP-MDMCL as the entity to hold and manage the Government's free carried interest[149]. This ties back to Section 4(2)(a) which said KP-MDMCL acts as the holding company for government interests. So practically, when a mining lease is awarded, KP-MDMCL's name will be on 5% of the shares. KP-MDMCL will then exercise shareholder rights (like receiving dividends, possibly attending shareholder meetings, etc.) on behalf of the Government. This is good for coherence – one professional entity managing all such stakes rather than some bureaucratic setup. It mirrors arrangements in some countries: e.g., Ghana created a “Minerals Income Investment Fund” in 2018 to hold and manage the government's carried interests in mining companies (previously, the stakes were held directly by the government, but now a fund consolidates them). Similarly, Tanzania uses the Treasury Registrar or a designated company to hold shares[20]. Using KP-MDMCL means those shares are effectively in the hands of a corporate entity that can leverage or monetize them if needed (for instance, it could potentially borrow against expected dividend flows or even swap equity with partners if law permits).
- **Sub-section (5)** allows the Government to make rules to carry out this section's provisions, including rules for determining attributable equity (for part of businesses), payment modalities, reporting requirements, auditing procedures, and incidental matters[150]. Rules will provide flexibility to refine and implement the carried interest scheme without amending the Act for minor details.
- In essence, Section 17 (new 20C in Mines Act) secures an **ongoing revenue stream and stake for the province in any major mining venture**. This has several potential benefits: it aligns the state's interest with the mine's success (since now the state not only gets royalties which are revenue-based, but also dividends which depend on profit), it can improve transparency (as a shareholder, albeit minor, you get insight), and it provides an upside if commodity prices or profits soar beyond what a fixed royalty captures. On the downside, investors might factor this as an additional “cost” or dilution.

But given the modest 5% figure, it's relatively investor-friendly compared to many jurisdictions – likely chosen to not scare away investment (Tanzania's steep 16% was controversial and is one reason some investors paused, although it remains law<sup>[151]</sup>).

Academic studies (like one referenced in Clyde & Co piece) have noted many countries adopting free carries in the 5-15% range<sup>[152]</sup>, with 5% being on the low side, presumably to ensure competitiveness.

We can foresee that this 5% carried interest, plus the 5% royalty (for many minerals) plus corporate taxes etc., give the government a multi-pronged take. If the mine is very profitable, dividends could be large, augmenting the fixed royalties. It's a hedge for the government's revenue. Moreover, those dividends funneled to KP-MDMCL could feed the Mineral Development Fund or be used for further investments, compounding benefits.

It's instructive that even at 5%, over a long mine life, it can add up: e.g., if a mining project yields PKR 10 billion in distributable profit over years, KP's share would be PKR 500 million beyond taxes/royalties. Over multiple projects, it could be substantial funding for provincial development. Chile (though it doesn't have "carried interest" per se as all mines are private except Codelco's, but it had a structure where Codelco got a stake in some new projects or could buy in) demonstrates how equity can boost state revenue in booms.

- **Section 18: Amendment of Section 65 of the 2017 Act – Collection and Distribution of Royalties/Fees.** Section 65 of the Mines Act is about royalties payable. Section 18 adds a new sub-section (4) to Section 65 to align it with the MDF scheme:

**“(4) Notwithstanding anything in any other provision of this Act, its rules, or any other law regarding collection or deposit of royalties, fees, etc.: (a) KP-MDMCL may, in addition to any other entity authorized by Government, be empowered to collect royalties, fees, and charges payable under this Act, in the manner prescribed by rules or notified by Government; (b) all sums representing royalties, fees, and charges collected by the Government or any authorized entity (including KP-MDMCL) under this Act shall, without undue delay, be deposited into a designated bank account of the Mineral Development Fund; (c) the sums in that account shall then be appropriated and distributed as provided in the KP MDMCL Act 2025, i.e., 49% to the Mineral Development Fund for utilization per that Act, and 51% to the Provincial Consolidated Fund; (d) the modalities for collection, deposit, appropriation, distribution, and oversight shall be governed under the said Act and rules/regulations under either Act.”<sup>[153][154][155]</sup>.**

This amendment essentially **cements the revenue-sharing mechanism into the Mines Act** so there's no conflict. Key points:

- KP-MDMCL is explicitly allowed to act as a collecting agent for royalties/fees if the Government wants (this could increase efficiency or tie into their one-stop shop role). It doesn't monopolize collection – the department or current mechanism can also collect, but KP-MDMCL is an option. Perhaps in remote project sites, KP-MDMCL staff on ground might collect and remit.

- All collected royalties/fees (whoever collects) must be deposited into the MDF's bank account first, not straight into the treasury. This ensures the 49/51 split happens *before* money goes into the general budget.
- Then exactly as we saw in Section 15(2), 49% stays in MDF, 51% goes to PCF, is restated to make it part of Mines Act's financial section. This is important because normally by law all provincial receipts must go to PCF unless law provides otherwise – here is that law providing otherwise. It avoids any arguments from audit or finance about improper retention of revenues.
- Finally, it defers to the KP-MDMCL Act and its rules for the details on how it's overseen, which we already covered.

This integration ensures the Mines Department and KP-MDMCL coordinate: if KP-MDMCL collects money from, say, a lease it operates or even others, it knows to send it to the Fund. It also opens a door to transparency: one account for all mineral revenues (the MDF account) means easier to track total collection and use, rather than money vanishing into general fund where it's not easily traceable for sectoral outcomes.

**Bottom line:** After this amendment, **49% of royalties and fees is legally earmarked for reinvestment** and cannot be simply diverted – giving legal assurance to miners that a chunk of what they pay goes back into sector (which might make them more accepting of paying, knowing it improves infrastructure or geological knowledge). It also gives comfort to KP-MDMCL's financial planning: they have a predictable claim on revenues to fund their and the sector's activities.

From a macro perspective, if mining revenues grow large, 49% going to MDF is significant – but since 51% still goes to general fund, the province doesn't starve its budget entirely. The 49% is akin to an investment into an endowment for sustainable development of the sector and communities (like WA's 25% to regions fund that was politically very popular in mining regions<sup>[101]</sup>).

**International Best Practice Note:** Earmarking of resource revenues is debated. Some argue it reduces fiscal flexibility; others say it ensures critical investments happen. KP has taken the stance that without earmarking, mining sector might remain under-funded as cash goes to urgent needs elsewhere. Other countries, for example **Chile's Copper Stabilization Fund** (now the ESSF), saved a portion of copper revenues for future use, albeit for macroeconomic stabilization rather than sector reinvestment. KP's MDF is more like a development fund than a stabilization fund. This fits provinces where mining is emerging – they need to invest to realize potential.

In sum, Sections 16–18 significantly modify how mining rights are allocated (preferentially to KP-MDMCL in certain cases), how the government participates in projects (5% equity), and how financial flows from mining are handled (with a dedicated fund and revenue split). These are major policy shifts injecting principles of **state participation** and **resource revenue management** into the legal framework – areas that are cornerstones of natural resource governance globally.

The success of these measures will depend on implementation: - KP-MDMCL must prove its mettle in taking up projects (or wisely partnering) so that exempting it from competition leads to productive mining, not stagnation. - The free carried interest must be administered transparently to yield benefits without unduly deterring investment – building trust with investors that 5% is not a “trojan horse” for more exactions, but a stable arrangement.

The Mineral Development Fund must be managed with integrity, funding high-impact projects and not being siphoned for unrelated uses.

If done right, KP could become a case study of a province that transformed its mining sector through innovative governance. For instance, if in 10 years we see that KP-MDMCL facilitated multiple mines, the Fund financed discovery of new deposits and training of miners, and communities benefited from projects – it could serve as a model for other provinces or countries. Before closing this commentary, we should highlight some comparative **case studies** to contextualize KP’s approach:

**Case Study 1: Chile’s CODELCO and Copper Revenue Management** – Chile nationalized its copper mines in 1971, forming Codelco, a 100% state-owned company. Over 50+ years, Codelco became the world’s largest copper producer and contributed around \$160 billion to the state<sup>[17]</sup>. Its governance was overhauled to match private firms, and it partners with global companies in some projects<sup>[32]</sup>. Chile also used funds like the Copper Stabilization Fund to save windfalls. The KP model is not full nationalization but partial state participation; however, the emphasis on corporate governance and reinvestment echoes the Chilean lesson that efficient state involvement can yield massive public benefit. Notably, Codelco’s contributions equated to 7% of Chile’s revenues over two decades<sup>[17]</sup> – showing what a well-run minerals company can mean for a treasury.

**Case Study 2: Botswana’s Debswana – PPP in Diamonds** – Botswana engaged in a 50/50 JV with De Beers (Debswana) instead of nationalizing. This PPP model gave Botswana significant revenue (up to 80% of Debswana’s value flows to government via taxes, royalties, and dividends)<sup>[30]</sup>. With that, Botswana invested heavily in education and infrastructure, achieving upper-middle-income status<sup>[31]</sup>. KP’s approach of using KP-MDMCL to partner in JVs for big projects mirrors Botswana’s strategy of co-ownership rather than sole ownership or just taxation. The success of Debswana (with Government and a private company deeply aligned in interest) underscores that JVs, when transparent, can bring both capital/know-how and substantial local benefit.

**Case Study 3: Tanzania’s Mining Reforms** – Tanzania introduced a 16% free carried interest and increased royalties in 2017<sup>[19]</sup>. Initially, this caused friction (notably with Acacia Mining/Barrick), but over time new deals have been struck (e.g., Twiga Minerals – a JV between Barrick and Tanzania with government holding 16%). The carried interest ensures the government gets dividend shares and board seats. They also set up a Mining Commission to oversee compliance. While investor concerns rose, Tanzania managed to renegotiate mining conventions to include the state equity. The lesson for KP: clarity and consistency are key – Tanzania had to issue detailed regulations to clarify how the free carry works<sup>[156][148]</sup>. KP has built a lot of that detail into the law and foresees rules, hopefully preempting confusion.

**Case Study 4: Western Australia’s Royalties for Regions Program** – As mentioned, WA from 2008–2018 ran a program diverting 25% of mining royalties to a special fund for regional projects[157]. In the first 6 years, it invested over AU\$3.7 billion in regional infrastructure and services[158]. This policy was politically driven but resulted in improved roads, healthcare, and diversification in mining towns. A 2014 audit found the need for better oversight but acknowledged substantial benefits.

WA’s example shows that earmarking can transform the regions that generate the wealth (akin to mining districts in KP potentially seeing more development via MDF funds). KP’s MDF at 49% is even more ambitious and will need strong oversight (like WA eventually tightened oversight by involving their Treasury more). But importantly, WA’s approach was studied by other Australian states as a unique funding model[159]. KP’s MDF could similarly become an example in Pakistan of effective resource revenue utilization if it succeeds.

Finally, Part V covers general provisions but let’s address them:

#### **Part V – Incidental Provisions (Sections 19–20)**

- **Section 19: Rules.** It empowers the Government to make **rules via notification in the official Gazette** for carrying out the purposes of this Act[160]. Sub-section (2) guides that the rules shall be subject to prior publication (meaning draft for feedback likely) and shall meet certain considerations: **(a)** consistency with the Act, **(b)** fairness and clarity, **(c)** facilitation of investment in mining sector, and **(d)** natural justice and due process[161][162]. These guiding principles are somewhat unusual to list, but they emphasize that the rule-making should not be arbitrary or burdensome – it should actually help mining investment and be just. It’s almost a directive to regulators: keep rules pro-business and fair. Likely rules will cover things like how KP-MDMCL is integrated in license issuance processes, details of free carry implementation, any procedures for KP-MDMCL collecting royalties, and possibly further elaboration of how KP-MDMCL might be delegated regulatory tasks. Also, rules could be made for the Fund operations if needed beyond what the Fund Board itself sets as SOPs.

The requirement of prior publication is as per general KP legislative practice (take public/stakeholder input before finalizing). Including “natural justice” indicates any actions, e.g., removing a director or recovering dues, should follow due process (notice, hearing etc. as appropriate). This bolsters the legal robustness – should any rules be challenged in court, they have an in-built standard to meet.

- **Section 20: Removal of Difficulty.** It says Government may, by order, provide for removal of any difficulty in giving effect to the Act’s provisions[163]. This is a standard clause in many new laws, allowing the Government to resolve unforeseen issues or ambiguities for a limited time (often these clauses are usable for a short period after enactment). Essentially, if something in transitioning to this new regime is problematic (maybe how to handle an ongoing application when the Act came into force, etc.), the Government can issue orders to smooth it out, which have force of law. It prevents the whole Act from getting stuck just because a minor procedural snag wasn’t anticipated. Typically, such orders are also published and later laid before the Assembly to ensure transparency.

**Conclusion and Strategic Significance:** The KP Minerals Development and Management Company Act 2025 represents a strategic shift in Khyber Pakhtunkhwa’s approach to resource governance – from a passive regulator model to an active state-led development model. By legally empowering a corporatized entity (KP-MDMCL) to take part in mining ventures, and by creating a supportive fiscal and regulatory ecosystem (tax incentives, dedicated fund, preferential rights), the province is aiming to unlock the value of its considerable mineral resources (which include gold, copper, chromite, marble, gemstones, etc.[164][165]) in a way that maximizes local benefits. This Act also aligns KP with contemporary practices in many resource-rich regions aiming to balance attracting investment with securing a fair share for locals.

It is written in a highly professional tone and incorporates global best practices adapted to local context. For instance, the corporate governance requirements and merit-based appointments echo OECD guidelines; the revenue sharing and fund mechanism echoes models from resource funds around the world; and the free carried interest is drawn from the playbook of African and other mineral-rich nations pushing for greater equity participation. If effectively implemented, these measures could lead to: more transparent and efficient licensing (with KP-MDMCL as a one-stop facilitator), increased exploration (via Fund-financed projects), better mining techniques (through company-led mechanization and training), and greater fiscal returns (through equity, dividends, and a more robust industry base).

However, the success of this ambitious framework will depend on governance and capacity. KP-MDMCL must be insulated from the pitfalls of patronage and run with the commercial savvy envisioned in the Act – which will require continued political will to respect the autonomy given to the Board and management. The Fund must be managed prudently to avoid waste (each project funded should be monitored for results). International experience shows that strong oversight (e.g., Chile’s oversight of Codelco, Botswana’s handling of Debswana profits) is needed to translate legal provisions into developmental outcomes. The Act’s provisions for audits, reports, and the inclusion of finance and planning officials in decisions are reassuring in this regard.

Another critical factor will be how the private sector and investors respond. Ideally, they see this as an opportunity: a government that is willing to co-invest and has skin in the game can be a stable partner. Joint ventures with KP-MDMCL could expedite approvals and provide confidence that the government won’t change terms arbitrarily (since the government is itself a stakeholder). That’s a selling point some mining majors appreciate, as seen with Debswana or ventures like Freeport’s with the Indonesian government’s company in Grasberg (after disputes, Indonesia increased state ownership and that stabilized operations). On the flip side, investors might worry about bureaucracy or the state company’s efficiency – KP will have to showcase KP-MDMCL as a professional outfit to allay that.

**Infographic Idea (if needed as text box):**

- *Structure of KP-MDMCL's PPP Model:* For example, a diagram could show KP-MDMCL + Private Investor forming a JV Company (with perhaps 10-20% KP-MDMCL stake including the free carry) to develop a mine, with the Government also earning royalty and taxes on top of profits share. This integrated benefit structure might attract the interest of decision-makers to see visually how multiple revenue streams (royalty, taxes, dividends from equity) flow to Government. This essentially is what KP is going for: a **triple revenue** approach (tax/royalty, equity share, and indirect via local economic growth).

Given this is a policy commentary for high-level stakeholders (policymakers, legislators, bureaucrats, etc.), the tone used in the Act and analysis is formal and explanatory, with footnote-style references to legal provisions for credibility. The inclusion of real-world examples and best practices serves to reassure that KP is not doing something unheard-of; rather, it is in step with global trends, perhaps even ahead domestically.

As a closing remark, one could note: *“KP’s integrated approach – establishing a sector development company, embedding it in law, securing a revenue fund, and benchmarking against international standards – demonstrates a forward-thinking governance model. If executed with the professionalism and transparency envisaged, it could turn Khyber Pakhtunkhwa’s mineral wealth into a sustained engine for provincial growth, much like effective resource governance has done in countries such as Chile and Botswana. Continuous monitoring, stakeholder engagement, and adaptive management will be key as these initiatives roll out.”*

**BENEFITS TO THE MINERAL SECTOR AND KP-MDMCL'S ROLE**

**(Page # 66 to 68)**

## BENEFITS TO THE MINERAL SECTOR AND KP-MDMCL'S ROLE

### Benefits of the Mineral Sector and KP-MDMCL's Role under the KP-MDMCL Act, 2025

The **Khyber Pakhtunkhwa Minerals Development and Management Company Act, 2025** (KP-MDMCL Act, 2025) provides a forward-looking framework to unlock the full potential of the province's mineral wealth. By establishing KP-MDMCL as the empowered corporate vehicle, the Act combines **financial innovation, corporate governance, and sector modernization** to ensure broad-based economic, social, and fiscal benefits.

#### (a) Financial Instruments for Sustainable Sectoral Growth

##### Mineral Development Fund (MDF) – Section 15

- **Dedicated Investment Vehicle:** Forty-nine percent (49%) of net mineral revenues are allocated to MDF for reinvestment, with 51% deposited into the Provincial Consolidated Fund.
- **Independent Oversight:** A Fund Board chaired by the Chief Secretary ensures transparent governance.
- **Targeted Expenditure:** MDF finances exploration, infrastructure, mechanized mining, environmental safeguards, and mineral value-chain development.
- **Non-Lapsable Design:** Ensures continuity of long-term mineral projects.

*Benefit:* Guarantees **sustainable reinvestment** into the sector, ensuring long-term growth beyond immediate revenues.

##### Carried Interest in Large-Scale Mining – Section 20C

- **5% Free Carried Interest:** KP Government secures equity in all large-scale mining operations without financial outlay.
- **Non-Dilutable:** The Government's stake remains intact despite corporate restructuring or capital increases.
- **Revenue Assurance:** Entitles the Government to dividends and profit distributions managed through KP-MDMCL.

*Benefit:* Ensures **direct profit-sharing** from strategic mining projects while minimizing fiscal risks.

**(b) Governance Structure for Sectoral Efficiency – Sections 5 & 6**

- **Independent & Professional Board:** Includes Government Secretaries from Finance, Industries, P&D, Minerals Development, alongside private-sector professionals.
- **Checks & Balances:** Mandatory Audit, HR & Remuneration, and Projects Committees for accountability.
- **Private-Sector CEO:** Market-oriented leadership with proven expertise ensures professionalism and efficiency.
- **Corporate Autonomy:** KP-MDMCL operates on commercial lines, balancing public accountability with private-sector efficiency.

*Benefit:* Establishes **good governance and professionalism**, minimizing bureaucratic delays and political interference.

**(c) Fostering a Corporate Culture and Sector Modernization**

- **Corporate Model:** KP-MDMCL functions as a **corporate holding company**, replacing the old bureaucratic, license-centric approach with **corporate deal-making, PPPs, and joint ventures**.
- **Investor Confidence:** By digitizing geological data, standardizing contracts, and offering a **one-window service**, KP-MDMCL fosters transparency and predictability.
- **Global Best Practices:** Adoption of international standards in environmental, social, and governance (ESG) compliance positions KP as a competitive mining jurisdiction.
- **Innovation and Modernization:** Introduction of trading platforms, industrial mineral estates, mechanized mining, and digitized cadastres modernize the mineral economy.

*Benefit:* Modernizes the sector, enhances **competitiveness, efficiency, and transparency**, and bridges the gap with global mining practices.

### Benefits to the Mineral Sector

1. **Capital Attraction:** Clear frameworks for PPPs and joint ventures mobilize domestic and foreign investment.
2. **Technology Transfer:** Modern exploration, mining, and processing techniques enter the local sector.
3. **Industrialization:** Development of mineral-based industries, reducing reliance on raw mineral exports.
4. **Employment Creation:** Expansion of skilled and semi-skilled jobs through value chain integration.
5. **Environmental Compliance:** MDF-financed sustainability programs ensure long-term viability of mining.

### Benefits to the Government of Khyber Pakhtunkhwa

1. **Revenue Enhancement:** Royalties, MDF allocations, and carried interest generate sustainable fiscal flows.
2. **Equity Participation:** The 5% carried interest ensures Government benefits from mining profits directly.
3. **Institutional Strengthening:** KP-MDMCL provides technical, legal, financial, and geological expertise under one corporate umbrella.
4. **Transparent Collection:** Direct involvement in royalty collection minimizes leakages and improves fiscal accountability.
5. **Infrastructure Development:** Sector-led road, power, and water investments benefit both mining and broader regional development.
6. **Policy Leadership:** KP-MDMCL acts as a technical advisor, enabling evidence-based policymaking and better regulatory oversight.

### Conclusion

The **KP-MDMCL Act, 2025** transforms the mineral sector from a fragmented, rent-seeking industry into a **modern, corporate-driven growth engine**. Through the **Mineral Development Fund (Section 15)**, **Carried Interest (Section 20C)**, and a **strong governance framework (Sections 5 & 6)**, the Government ensures that mineral wealth is mobilized into sustainable revenues, sector modernization, and inclusive economic growth. This corporate approach not only benefits the mineral industry but also strengthens the Government of Khyber Pakhtunkhwa's fiscal stability, development agenda, and global competitiveness.

**DRAFT**

**Working Paper on the Establishment of the Mineral Development Fund (MDF)**

**Page # (70- 74)**

**DRAFT**

**Working Paper on the Establishment of the Mineral Development Fund (MDF)**

For Consideration of the Hon'ble Chief Minister  
and  
Finance Department, Government of Khyber Pakhtunkhwa

**1. Introduction**

This Working Paper has been prepared to present for kind consideration the proposal for establishing a dedicated Mineral Development Fund (MDF) for Khyber Pakhtunkhwa. The MDF is envisioned as a special financial mechanism under the forthcoming Khyber Pakhtunkhwa Minerals Development and Management Company Act, 2025 (the “Act”), specifically provided under Section 8G of the Bill, with the objective of ensuring direct reinvestment of mineral revenues into the growth, modernization, and sustainability of the mineral sector.

The proposal carries strategic economic significance for the province, given that KP possesses vast mineral wealth that remains largely underutilized due to limited reinvestment, weak infrastructure, and bureaucratic constraints. The MDF is designed to address this gap by earmarking a defined share of revenues for structured reinvestment, while also ensuring that a substantial portion continues to flow into the Provincial Consolidated Fund for fiscal balance.

**2. Background and Rationale**

The mineral sector is a critical growth engine for KP, offering opportunities for foreign investment, job creation, industrialization, and export-led growth. However, the prevailing mechanism of routing mineral revenues entirely to the Provincial Consolidated Fund limits targeted reinvestment in the sector.

The experience of other resource-rich economies demonstrates that ring-fenced funds dedicated to reinvestment are essential for:

- Sustaining exploration and resource expansion,
- Ensuring environmental and community protection,
- Financing infrastructure directly linked to mineral exploitation,
- Providing institutional capacity to manage complex mining operations.

The MDF thus addresses a structural weakness in the existing fiscal framework and ensures that sector-generated revenues finance sector-led growth.

### 3. Legal Basis

The proposed legal framework for the MDF is contained in Section 8G of the KP Minerals Development and Management Company Act, 2025. Salient features of this provision are:

1. **Statutory Establishment:** The Government shall, by notification, establish the Mineral Development Fund (MDF) as a dedicated non-lapsable financial instrument.
2. **Purpose:** To finance exploration, value addition, environmental protection, infrastructure, institutional strengthening, and operational requirements of the KP Minerals Development and Management Company Limited (KP-MDMCL).
3. **Revenue Source:** The Fund shall be financed through a defined allocation from the net surplus of mineral receipts, after deducting collection and operational costs (capped at 10% of gross receipts).
4. **Apportionment:**  
49% of the net surplus → credited to MDF for KP-MDMCL's disposal, on a monthly basis, subject to quarterly reconciliation.  
51% of the net surplus → deposited into the Provincial Consolidated Fund.

This provision safeguards provincial fiscal interests while creating a statutory mechanism for reinvestment.

### 4. Structure and Funding Mechanism

3

The MDF shall operate on the following principles:

**Revenue Flow:** Royalty and mineral receipts shall continue under the existing mechanism. After deducting approved operational costs (max 10%), the net surplus shall be apportioned between MDF (49%) and the Provincial Consolidated Fund (51%).

**Frequency of Transfer:** Finance Department shall transfer monthly installments to the MDF during the first week of each month based on actual collections of the preceding month.

**Reconciliation:** A quarterly reconciliation exercise shall be undertaken jointly by the Finance Department, Mineral Development Department, and KP-MDMCL.

**Non-Lapsable Nature:** MDF balances shall not lapse at the close of the financial year, ensuring continuity of financing.

This funding model ensures a predictable and sustainable revenue stream for mineral sector development.

## **5. Objectives and Utilization**

The MDF shall serve as a dedicated instrument for targeted reinvestment, with utilization strictly aligned to the following objectives:

1. Exploration financing geological surveys, resource mapping, and feasibility studies.
2. Value Addition supporting downstream processing (refineries, cutting/polishing units, etc.) to enhance revenues and create jobs.
3. Environmental Protection conducting EIAs, mine rehabilitation, and promoting green mining practices.
4. Infrastructure Development financing access roads, power, and water facilities essential for mining operations.
5. Institutional Capacity-Building strengthening KP-MDMCL and Directorate General Mines & Minerals through modern equipment, HR training, and digital systems.
6. Operational Support to KP-MDMCL ensuring its financial sustainability to function as the corporate arm of the Government in mineral development.

## **6. Governance and Oversight**

**Board Oversight:** The Board of Directors of KP-MDMCL shall act as the competent authority to oversee MDF operations, approve allocations, and ensure transparent utilization.

**Accountability:** MDF shall be subject to annual statutory audit by the Auditor General of Pakistan in addition to an external financial audit.

**Transparency:** Annual reports of MDF operations, including allocations, expenditures, and outcomes, shall be placed before the Government and Provincial Assembly.

**Safeguards:** A clear project selection framework shall be developed to ensure merit-based, need-driven allocation, avoiding duplication or misuse.

## 7. Expected Outcomes

The establishment of the MDF will yield the following tangible benefits:

**Sustained Sectoral Growth:** By ring-fencing resources for reinvestment, mineral wealth will be harnessed more efficiently.

**Provincial Economic Growth:** Increased production, value addition, and investment inflows.

**Employment Generation:** Expansion of exploration and downstream industries will create thousands of jobs.

**Enhanced Public Benefit:** Government equity participation (5% free carried interest) coupled with MDF financing will ensure citizens directly benefit.

**Improved Governance:** Dedicated financing for institutions will strengthen regulatory oversight and reduce sectoral leakages.

**Environmental Safeguards:** Specific allocations for mitigation and rehabilitation will reduce negative environmental impacts.

## 8. Financial Implications

The MDF shall not impose new taxation; it reallocates existing revenues.

- It ensures 51% of net mineral surplus continues to strengthen the Provincial Consolidated Fund.
- With ring-fenced allocations, it will provide predictable sectoral financing without burdening the general budget.

## 9. Conclusion and Way Forward

The establishment of the Mineral Development Fund (MDF) under the KP Minerals Development and Management Company Act, 2025 represents a landmark fiscal and developmental reform. By securing a dedicated share of mineral revenues for reinvestment, KP will not only unlock the full economic potential of its mineral sector but also align itself with international best practices in resource governance.

It is respectfully submitted that the Hon'ble Chief Minister and Finance Department may kindly approve this proposal for formal notification of the MDF upon enactment of the new law, with necessary directives to operationalize its structure, governance, and funding mechanism immediately thereafter.

**DRAFT NOTIFICATION**

To be issued by the Government of Khyber Pakhtunkhwa

**NOTIFICATION**

**GOVERNMENT OF KHYBER PAKHTUNKHWA  
MINERAL DEVELOPMENT & MINES DEPARTMENT**

Dated Peshawar, the [Day] [Month], 2025

**No. [Insert Notification Number]** – In exercise of the powers conferred by sub-section (1) of Section 8G of the Khyber Pakhtunkhwa Mines and Minerals Act, 2017 (KP Act No. XXVII of 2017), as amended, the Government of Khyber Pakhtunkhwa is pleased to establish a dedicated financial instrument to be known as the “Mineral Development Fund (MDF)”.

- 1. Establishment and Purpose:** The Mineral Development Fund (MDF) is hereby established for the purpose of reinvestment in the mineral sector, including, but not limited to, exploration, value addition, environmental protection, infrastructure development, and institutional capacity-building. The Fund shall also be utilized to meet the expenses in connection with the affairs of the Khyber Pakhtunkhwa Mineral Development and Mines Company Limited (KP-MDMCL).
- 2. Funding Mechanism:** The Fund shall be primarily financed through the allocation from the net surplus, generated from royalty and other mineral-related receipts, after deduction of collection and operational costs of the Mineral Development Department, Directorate General Mines & Minerals, and related agencies. The collection and operational costs shall be restricted to the extent of 10% of the gross inflow of funds to arrive at the net surplus required to be allocated towards the MDF.
- 3. Allocation Percentage:** The percentage share of the net surplus allocated to the Mineral Development Fund (MDF) shall be forty-nine percent (49%), on a monthly basis, subject to quarterly reconciliation. The remaining fifty-one percent (51%) of the net surplus shall be deposited into the Provincial Consolidated Fund.
- 4. Commencement:** This notification shall come into force with immediate effect.

**BY ORDER OF THE GOVERNOR, KHYBER PAKHTUNKHWA**  
**Secretary**  
**Mineral Development & Mines Department**

No. \_\_\_\_/Date \_\_\_\_, 2025

**Copy forwarded for information and necessary action to:**

1. The Principal Secretary to Governor, Khyber Pakhtunkhwa.
2. The Principal Secretary to Chief Minister, Khyber Pakhtunkhwa.
3. The Senior Member Board of Revenue, Khyber Pakhtunkhwa.
4. The Additional Chief Secretary, Khyber Pakhtunkhwa.
5. All Administrative Secretaries to Government of Khyber Pakhtunkhwa.
6. The Accountant General, Khyber Pakhtunkhwa.
7. The Director General, Mines & Minerals, Khyber Pakhtunkhwa.
8. The Managing Partner, IECnet Pakistan – Advisors/Consultants
9. The Chief Executive, KP-MDMCL
10. The Manager, Government Printing Press, Peshawar for publication in the official gazette.
11. PS to Minister for Mines & Minerals, Khyber Pakhtunkhwa.
12. PS to Secretary, Mineral Development & Mines Department.

**CONCLUSION**

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## CONCLUSION

The Khyber Pakhtunkhwa Minerals Development and Management Company Act, 2025 represents a landmark legislative intervention that elevates the province's mineral sector from a conventional regulatory framework to a forward-looking, corporate-statutory model. By creating a dedicated law rather than relying solely on amendments to the Khyber Pakhtunkhwa Mines and Minerals Act, 2017 the Government has provided KP-MDMCL with a clear, permanent, and independent legal foundation, thereby strengthening its authority, enhancing investor confidence, and institutionalizing its role as the province's principal corporate vehicle for mineral development.

The Act introduces a comprehensive framework that addresses longstanding inefficiencies, ensures professional governance, and empowers KP-MDMCL with both operational and financial autonomy. Its statutory recognition across the entire mineral value chain from exploration and development to processing, value addition, and joint ventures positions the Company to unlock Khyber Pakhtunkhwa's vast but underutilized mineral potential. Particularly transformative are the Act's financial instruments: the 5% "free carried interest" in large-scale mining projects secures a direct equity stake for the Government without financial exposure, aligning private sector profitability with public benefit; while the creation of a dedicated, non-lapsable Mineral Development Fund (MDF) ensures a sustainable, re-investable source of capital for exploration, infrastructure, capacity building, and sectoral modernization. Together, these mechanisms provide the institutional and fiscal resilience needed to drive long-term growth beyond annual budgetary cycles.

Equally important is the Act's emphasis on corporate governance, professional management, and market-based recruitment, which is designed to overcome bureaucratic inertia and enable KP-MDMCL to operate with the efficiency and innovation of a private sector entity, while retaining its public mandate. Tax incentives and regulatory facilitation further enhance its viability and attractiveness as a partner for domestic and international investors.

While the Act provides a robust legal and institutional foundation, its success will ultimately depend on effective implementation, transparent governance, and a careful balancing of commercial objectives with environmental stewardship and community welfare. It is also presumed that, notwithstanding the saving clause, the Act operates in full harmony with federal laws such as the Companies Act, 2017 and the Income Tax Ordinance, 2001, ensuring coherence and compliance within Pakistan's broader legal framework.

By anchoring KP-MDMCL in a dedicated statute and equipping it with the powers, resources, and safeguards necessary for success, the Government of Khyber Pakhtunkhwa has laid the groundwork for transforming the mineral sector into a dynamic, responsible, and globally competitive industry one that translates the province's mineral wealth into sustainable economic growth, employment, and long-term public benefit.

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