IUCN Private Sector Engagement

Pakistan International Bulk Terminal Limited
Due Diligence Report

Date performed: April/May, 2012
Staff Member(s) involved: Haani Jamal Khan, Programme Associate, Business and Biodiversity Programme, IUCN Pakistan, Shiranee Yasaratne, Coordinator RBBP, Asia.

PART A: Introduction

- **Basic Company Information:-**

Pakistan International Bulk Terminal Limited (PIBT), a part of Marine Group of Companies, was established in Pakistan on 22nd March, 2010 as a public limited company registered under the Company Ordinance of 1984. PIBT has been setup as a terminal operating company for handling coal, clinker and cement at Port Qasim, Pakistan. It will be the country's first terminal for handling coal, clinker and cement to meet industry demand for mechanized handling of dirty cargo.

This first ever dirty cargo terminal is being constructed by the Marine Group of Companies, at a cost of $175 million on a 30 year Build Operate and Transfer (BOT) basis in conjunction with the Port Qasim Authority. It is reported that the proposed facility will be capable of handling up to 12 million tons per annum of coal, cement and clinker. The terminal is expected to come into operation by the start of 2015. The jetty will have a depth of 15 meters with the capacity of handling large ships of up to 75,000dwt. The length of the jetty would be around 460 meters which will be connected to the back area of 25 hectares with a 2.5km long trestle bridge. The terminal is planned to have dedicated storage and handling facilities for each type of cargo i.e. cement, clinker and coal. There will be five silos of 10,000 tons capacity each for cement storage.

PIBT is being financed by the International Finance Corporation (IFC). Thus the project has striven to base itself on IFC principles. (Ref: page 6 of ESIA Report). The terminal is being developed based on an Environment Management Plan (EMP) prepared in compliance with section 12 of the Pakistan Environmental Protection Act of 1997. It is also reported that the IFC performance standards and World Bank Group environmental health and safety guidelines are being met.

Civil works construction commenced in March 2012 by JV Consortium consisting of a Turkish firm M/s Siyahkalemand and a local firm Maqbool Associates.

PART B: Basic CSR information

- **General**

Environment:

As reported previously, PIBT has developed an Environment Management Plan (EMP) in compliance with applicable laws and regulations of Pakistan, IFC's Performance standards and World Bank Group Environmental Health and Safety Guidelines.

The project has received clearance from the Sindh Environmental Protection Agency (SEPA) of the Government of Pakistan. It is noted that the EIA and EMP have been prepared as per World Bank guidelines. Since the project is being part financed by IFC it is expected that EMP monitoring shall be done as per relevant World Bank guidelines.

Key aspects of the EMP are:

- Dust emission control
- Noise pollution control
- Waste water discharge & effluent treatment
- Solid waste management
- Dredge materials management and disposal
- Biodiversity conservation and sustainable natural resource management

Monitoring of EMP:

The EMP states that PIBT will appoint an Independent Monitoring Consultant (IMC) who will oversee that the construction activities are in consonance with the provisions of the ESIA. This consultant will be responsible for the preparation of monthly reports on project progress. The consultant will also maintain records, decisions made at meetings, progress on civil works, certified achievements and milestones, financial records and any deviations from or changes to the contract plans. The consultant will assist the PIBT and contractor in preparing quarterly project progress reports, a project completion report, and monitoring and evaluation reports as required under the agreement.

The EMP also states that the PIBT will establish an HSE Department for monitoring the plan. The overall responsibility for all matters pertaining to environment will be that of the organizational head to manage and implement environmental management practices as given in the EIA and EMP (Ref: Section 8.6- EMP Report)

Community/Social:

A number of activities are on-going including funding the entire range of Health projects under Community Development Program. Details of which are as follows**:**

- Primary Healthcare Centres (PHC) were established at Shikarpur, Khairpur and Mardan
- Hepatitis B & C prevention and Control Program in Sindh where 4500 individuals were screened
- Mobile Healthcare Camps were established at Matiari, Sindh.
- Out Patient Department (OPD) Facility for the daily wages workers.
- Round the clock Ambulance/Dispensary for the workers.

Flood relief operations:

- In mid-August 2010 in District Charsadda in Khyber Pukhtunkhwa (KPK) and Districts Shikarpur, Khairpur, Matiari and Thatta in Sindh**.**

Occupational Health and Safety:

- The Marine Group emphasis on the occupational health and safety of its employees and has ISO certifications in this respect such as ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certified

Education:

The Marine Group supports, skill development to promote the economic well being of the country. In this context they support institutes that will lead to the development of skilled youth. Following is a list of a few institutes to which contributions have been made:

- The Zindagi Trust
- Institute of Business Administration (IBA)
- The Karigar Training Institute
- Since November 2009, five schools have been adopted at Hatim Ali Alvi Campus in Keamari. They have been providing ongoing assistance to these schools since then.

During the year the following notable events have been undertaken in these schools, namely:

- Children Education Assistance Program for low salaried staff
- Children of the schools participated in “design for change contest” in Pakistan, and were awarded a prize for one of the boldest idea.
  Free Eye camps were set up in these schools and a total of 1179 students were screened to measure their visual acuity.

- **Media and Stakeholder Analysis**

In the initial stages when the project was announced there was some criticism in the press and apprehensions were expressed on the environmental impact of this project.

http://tribune.com.pk/story/274858/terminal-manufacturer-under-fire-for-environmental-degradation/

PIBT faces environmental controversy

More recently the press has been focusing on signing of the project financing and launching of the project.

DAWN News | Business

17th March, 2012

PQ plans $175m clinker terminal

KARACHI, March 16: The first ever dirty cargo terminal, Pakistan International Bulk Terminal (PIBT)....read more

Contract signed to build first mechanised terminal at PQ

Coal, cement and clinker

Business Recorder

16/03/2012

KARACHI: Pakistan International Bulk Terminal Ltd, (PIBT) and JV Consortium of Turkish firm M/s Siya....read more

Marine Group to build first dirty bulk cargo terminal at PQ

The News International

Hina Mahgul Rind

Saturday, March 17, 2012

KARACHI: With a steady increase in the demand for coal in the country, the Marine Group of Companies....read more

Pakistan Bulk Terminal signs $82m contract

Port Qasim to get mechanised coal, cement and clinker terminal

Published in The Express Tribune

March 16, 2012

KARACHI: Pakistan International Bulk Terminal Limited (PIBT) on Thursday signed a civil works cont....read more

Automated terminal to be built in three years

The Express Tribune

November 7th, 2010

KARACHI: The country's first mechanised and automated environment-friendly coal, cement and clinker....read more

PQA to build $180m new bulk cargo terminal

DAWN.COM |Business

Parvaiz Ishfaq Rana

Sunday, 07 Nov, 2010

KARACHI, Nov 6: Port Qasim is going to build country's first dedicated dirty bulk cargo terminal at....read more

Deal signed for coal, cement terminal

The News

By our correspondent

Sunday, November 07, 2010

KARACHI: An agreement was signed on Saturday for the development of the country's first mechanised....read more

$173mn pact signed for clinker terminal

The Financial Daily International

November 7, 2010

KARACHI: Pakistan International Bulk Terminal Ltd (PIBT) has signed Implementation Agreement (IA) wi....read more

IA signed for coal, clinker terminal at PQ

Business Recorder

Copyright APP (Associated Press of Pakistan), 2010

2010-11-06

Pakistan International Bulk Terminal Ltd (PIBT) has signed Implementation Agreement (IA) with Port Q....read more

PIBT to be constructed at estimated cost of $173 million

Daily Times

Moonis Ahmed

Sunday, November 07, 2010

KARACHI: Pakistan International Bulk Terminal Limited (PIBT) will be the country's first dedicated d....read more

Port Qasim to have country's first-ever bulk cargo terminal
$173m project of bulk cargo terminal launched

KARACHI: The signing ceremony of Implementation Agreement (IA) for $173 million project of Pakistan....read more

Overall the coverage is positive as the organization is bringing in much needed foreign investment and economic activity to the port city of Karachi.

PART C: Preliminary Assessment of Commitment to CSR

Environmental/Social Policy	☐ Yes	☐ No	☒ Unsure
Supply chain Policy	☐ Yes	☒ No	☐ Unsure
CSR activities programme	☒ Yes	☐ No	☐ Unsure
Commitment to external processes and standards	☒ Yes	☐ No	☐ Unsure

The terminal project has undergone an Environmental and Social Impact Assessment wherein the company has laid down principles, policies and procedures to be followed with regard to environmental and social aspects. PIBT has committed to the Equator Principle as well as World Bank guidelines on environment. (Ref: page 46- ESIA Report)

Narrative Assessment

The following observations can be made with this desk analysis.

The project falls under Schedule II of the Pakistan Environmental Protection Agency Regulations 2000 and Category ‘A” of Equator Principles, which means it can have significant environmental consequences if appropriate mitigation measures are not taken.

Based on the findings of the ESIA, it is reasonable to conclude that the environmental impacts of the proposed cargo terminal to be located in the industrial zone of Port Qasim Authority will be duly mitigated by incorporating suggested measures in the EMP which forms an integral part of the EIA process.

Additional cover is provided by the Port Qasim Authority Act which specifies additional environmental safeguards and monitoring.

Our web search revealed that the public hearing on the EIA process led to environmentalists and NGO reactions over the disposal of dredging spoil, damage to the mangrove ecosystem and air pollution caused by the establishment of the terminal.

It is noted that the PIBT CEO Sharique A Siddiqui has stated publicly that at least 450 mangrove trees would be cut to construct the 2.5-kilometre-long trestle bridge and that the company will make sure that it plants three to four mangroves for every single tree that is cut.

However, this provides an opportunity for IUCN and MFF to influence the company on the benefits of coastal ecosystem conservation and investing in coastal infrastructure. From our initial assessment of PIBT it seems that the company has made the necessary commitments and through its parent company the Marine Group of Companies is carrying out a number of community projects. However, the company is yet to declare this thinking as a part of its core business.

PART D: Potential Enhancement of IUCN Mission or Programme

The purpose of IUCN's Private Sector Engagement Strategy is to mobilise the private sector and the conservation community to engage with one another, to cultivate long-term partnerships that will deliver conservation results across the region and at the same time enhance sustainable development.

Long-term objective: Policy makers and business communities actively incorporate environmental concerns into their daily operations and decision-making practices, resulting in sustainable development and conservation practices that can be replicated to other industry sectors both within Asia and to other regions of the world.

IUCN Priority Sector Analysis

- Biodiversity Dependant ☐
- Large Footprint ☒
- Developing 'Green Enterprises ☐
- Investment Industries ☐

IUCN Priority partner Analysis

Practices transparency?	☒Yes ☐ No
Is committed to quality in their operations?	☒ Yes ☐ No
Is publicly committed to conservation?	☒Yes ☐ No
Has policies, procedures and practices in place to ensure the achievement of environmental goals and have a track record in implementing these?	☒ Yes ☒ No

Benefits of engaging

IUCN believes in longstanding positive industry-conservation relationships. An IUCN PIBT partnership has the potential to significantly contribute to environmental standards for mega development projects, and positive influences in the industrial Port Qasim development area. Although initially the project is for coastal conservation, other areas of potential collaboration include:

- assistance in mitigating impacts on biodiversity and natural resources as reflected in the EMP
- independent scientific advice to PIBT on environmental issues
- In the medium and longer term, prospects of using the PIBT commitment and performance for enhancing sector wide standards and leadership in environment with respect to the development of mega projects

Risk Identification

Financial Loss

Financial loss is not viewed as a high risk in this potential engagement as the company has already shown that it is willing to cover the necessary costs of carrying out the engagement.

Damage to IUCN's reputation

IUCN has an office in Pakistan and this work could affect crucial relationship development with its in-country members.

IUCN is viewed as a source of independent, credible and sound source of scientific information and in providing such information, will need to ensure that appropriate resources are at its disposal.

Some recommendations arising from this analysis include:

- That continuous feedback be sought and collated from key stakeholders outside PIBT and the government.
- That IUCN should continuously consult and update its members in Pakistan on this engagement.
- That IUCN continues to maintain a high degree of transparency through access to public knowledge in the work it undertakes with PIBT
- Since the project is under construction, close monitoring in association with the Relationship Manager appointed from PIBT would be required in order to counter any adverse publicity that may arise and preventive action taken that may damage IUCN's reputation at any stage.

Management Drain

IUCN should continue to coordinate across programmes at the global, regional and country levels which coordinate and manage high profile activities with a range of stakeholders that to date have very strong and differing views about large footprint industries.

It is therefore recommended that a focal point/coordinator and appropriate time and resources for senior staff management are put in place.

Risk Analysis

IUCN is committed to managing risks associated with this partnership through transparency, inclusiveness, open communications, ongoing monitoring and external verification.

Residual risk in day to day engagement as with any partnership will remain and this should be managed by the project manager, the IUCN Pakistan office and the Asia Regional office.

Whilst the IUCN-PIBT engagement can be considered a lower risk because there is no challenge the construction of the terminal, care should be taken in ensuring that IUCN's work is of the highest quality, based on sound scientific evidence, adequately peer reviewed and that the appropriate project governance structures are in place to ensure that IUCN's independence and integrity is maintained.

IUCN should reserve the right to publicly communicate any opinion or concerns about any issues related to this engagement.

It is important that there is complete buy-in on this plan from all segments of PIBT (i.e. from finance, business development, the projects team) and commitment from a strong environmental team. Committed human and financial resources are key to the successful implementation of the EMP.

The issue of secondary development around the hinterland of the terminal, if not managed could have direct consequences. This risk could be managed by active involvement in influencing both PIBT and the state government and carefully assessing the developments as they proceed.

IUCN should continue to develop strong ties with PIBT and use this relationship as a catalyst for mainstreaming environmental considerations into the company and further private sector engagement in Pakistan and the region.

This could also be used to showcase IUCN's unique approach and convening power and through this, its ability to achieve successful conservation results

It will enable linking this activity with MFF's Programme of Work 15 – promoting environmentally sustainable business practices.