

Creating New Economic Value: The Strategic Significance of Reko Diq for Pakistan's SOEs

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From Operators to Strategic Investors

Pakistan's state-owned enterprises (SOEs) have traditionally focused on service delivery, infrastructure and commercial operations. Reko Diq presents an alternative model in which public enterprises participate as equity investors in a major mineral project alongside an international operator. Rather than expanding direct state operations, this approach seeks financial returns and wider economic benefits through exports, fiscal revenues, employment and industrial linkages.

Barrick Mining holds 50% of the project, three federal SOEs (OGDCL, PPL and GHPL) collectively own 25%, and the Government of Balochistan holds the remaining 25%. This structure provides public-sector participation while drawing on Barrick's technical and operational expertise.

Investment Scale and Public-Sector Exposure

Reko Diq is a capital-intensive project with a projected mine life of 37 years and a two-phase development plan. Phase I is designed to process 45 million tonnes of ore annually, increasing to 90 million tonnes under Phase II. Barrick's 2025 feasibility study estimated total capital costs at approximately US$8.83 billion, while subsequent reported estimates indicate further cost escalation.

The reported increase in project costs from US$7.0 billion to US$9.1 billion represents a 30% escalation. Pakistan's three federal SOEs have previously reported a combined funding commitment of approximately US$1.88 billion. Rising capital requirements increase their financial exposure, making cost discipline, transparent monitoring and timely project execution essential to protecting prospective investment returns.

What Could Pakistan Gain?

Reko Diq's economic potential extends beyond dividends to public shareholders. The project could strengthen mineral exports, generate taxes and royalties, create employment and stimulate demand for domestic services. However, project-level cash flow should not be confused with revenue accruing to Pakistan, as actual benefits depend on ownership distributions, fiscal receipts, reinvestment and domestic economic participation.

The project is estimated to generate approximately US$74 billion in free cash flow its projected 37-year mine life, alongside peak construction employment of 7,500 workers and around 4,000 permanent jobs. These projections remain contingent on project execution, production schedules and global commodity prices.

Delay Risk and Opportunity Cost

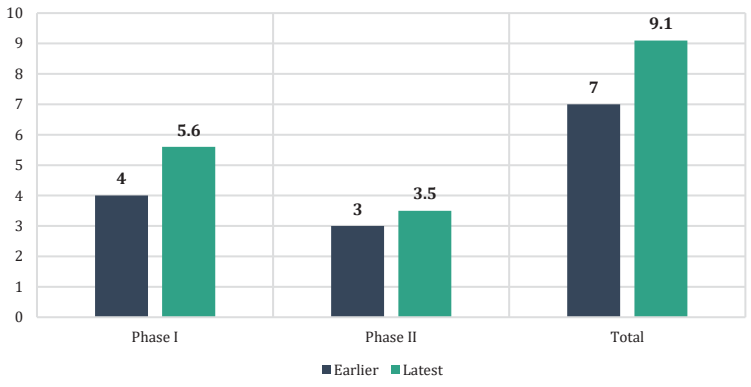
In February 2026, Barrick initiated a review of Reko Diq amid security concerns in Balochistan. By April, the company announced a slowdown in development, with the review extending to mid-2027 to reassess security, financing, capital requirements and project timelines.

Table 1: Key Investment and Cost Figures

Investment indicator	Earlier Estimate	Latest reported estimate
Phase I investment	$4.0bn	$5.6bn
Phase II investment	$3.0bn	$3.5bn
Total project capital	$7.0bn	$9.1bn
Increase in total cost	-	30%

Source: Dawn News

Figure 1: Escalation in Reko Diq Project Capital Costs (US$ Billion)



Source: Dawn News

Barrick also cautioned that previously disclosed costs and schedules could change.

Initial production could shift from the original end-2028 target to 2030, although Barrick had not formally confirmed a revised date. Reported estimates of additional project costs also vary considerably, underscoring uncertainty over future capital requirements. For Pakistan's participating SOEs, these developments could delay dividend income, increase financing exposure and raise the opportunity cost of committed capital. Transparent cost assessments, scenario-based investment planning and regular project monitoring are therefore essential.

Beyond Extraction: Domestic Value Addition

Reko Diq's wider economic contribution will depend on how effectively mineral extraction generates domestic industrial linkages. Local procurement in engineering, construction, transport and maintenance could create opportunities for Pakistani firms, while workforce training could strengthen technical capabilities beyond the mine's operating life.

However, downstream value addition is not guaranteed. Reko Diq is designed to produce copper-gold concentrate, with smelting and refining outside its current scope. Domestic processing should therefore be pursued where energy availability, infrastructure, technology and market conditions support commercial viability.

To assess whether the project creates lasting economic value rather than functioning primarily as an export enclave, policymakers should monitor local supplier participation, skilled employment, training outcomes, fiscal receipts and opportunities for commercially viable domestic processing.

What This Means for SOE Reform?

Reko Diq illustrates how SOEs can move beyond traditional operations towards strategic equity investment without directly managing every asset. However, successful participation requires rigorous investment appraisal, transparent disclosure of capital commitments, clear shareholder accountability and effective risk management.

For Pakistan's SOEs, commercial viability must remain central to investment decisions. Regular performance assessments against financial and operational milestones, alongside independent oversight, can help ensure that strategic investments generate measurable economic value rather than becoming additional fiscal liabilities.

Conclusion

Reko Diq presents an opportunity for Pakistan's SOEs to transition from traditional operations towards strategic investment in a globally significant mineral asset. However, rising capital costs and project delays demonstrate that investment alone does not guarantee economic value. Its long-term success will depend on sustainable financial returns, foreign-exchange generation, fiscal revenues and meaningful domestic industrial linkages. Ultimately, Reko Diq's significance lies not merely in public ownership of mineral resources, but in whether that ownership translates into measurable economic benefits without creating additional fiscal burdens.

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