



Subject: REVISED GUIDELINES FOR UTILIZATION OF FUNDS DEPOSITED BY WAY OF PRODUCTION BONUS BY EXPLORATION & PRODUCTION (E&P) COMPANIES

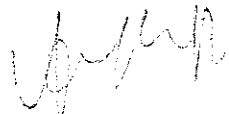
In exercise of powers conferred under sub clause 3 of 4.1.2 of the Petroleum Exploration and Production Policy 2012 issued by the Ministry of Petroleum and Natural Resources vide S.R.O 1078(I)/2012 dated 30.08.2012. Government of Sindh has been pleased to issue the following revised guidelines for the use and utilization of the amounts to be paid by the E&P Companies on the social welfare projects in and around the respective concession area in the following manner:

1. Minimum size of the scheme financed out of Production Bonus will be Rs 1,000,000/- (Rs One Million only)
2. The funds will be spent in a transparent manner in and around the areas of producing fields through Committees called Petroleum Social Development Committee (PSDC) consisting of following:

Petroleum Social Development Committee (PSDC)

Concerned MNA(s) of the District (including MNAs on reserved seats)	Member(s)
Concerned MPA(s) of the District (including MPAs on reserved seats)	Member(s)
Chairman/ Administrator District Council	Member
Representative of E&P Company	Member
Deputy Commissioner of the District with maximum acreage of the contract area to be determined by DGPC or his nominee	Member/Secretary

3. The Chairman of the PSDC shall be nominated in consultation with MNAs and MPAs of the district by the Chief Minister.
4. The amounts received from E&P Companies by way of Production Bonus shall be utilized for the welfare and benefit of people residing in the district where the contract area i-e D&P Lease area is located.
5. 60 % share of the Production Bonus will be utilized in the oil and gas producing Taluka whereas balance 40 % will be utilized in the remaining Taluka(s) of the district in the concession area.


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6. The utilization of the Production Bonus will be based on the annual figures transferred by the E&P Companies i-e Operators as it becomes due as per relevant PCAs and amounts so transferred by Finance Department from time to time.

7. A quorum shall include Chairman, Secretary and minimum 51% members. In case there is more than one producing field of different operators in a District then each Company shall nominate one member each.

8. The Secretary i-e DC will arrange regular meetings of the PSDCs and will remain proactive and take a lead role in the implementation of the schemes. Moreover, the DCs with the cooperation of E&P companies arrange Seminars at district level for the increased awareness of and input from the stakeholders.

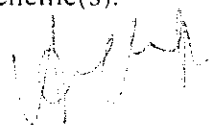
9. Terms of Reference (TORs) of PSDC are as follows:

- i) ensure that the social welfare obligations of E&P Companies are fulfilled;
- ii) proposed schemes receive due publicity and inputs from the final recipients and beneficiaries or their representatives;
- iii) evaluate progress and completion of welfare schemes;
- iv) have public hearings for receiving local level inputs in respect of selection, completion etc. of welfare schemes.
- v) The PSDC will hold at least one quarterly meeting to discuss and agree on community projects for local area and other relevant matters.

10. PSDC after consultation with the community shall identify, prepare and approve visible and verifiable sustainable social sector improvement schemes for the district ensuring maximum service delivery for the citizens. The schemes shall be handed over to the concerned local government/provincial government department after completion, which will be responsible for its recurring cost. The PSDC will ensure that there shall be no duplicity in the schemes and make all necessary coordination with the provincial/local government departments in this regard. For any scheme for construction of a new school in the Taluka from PSDC Funds prior concurrence of the Education Department shall be solicited.

11. The PSDC shall oversee that the funds are spent on Social Development Programmes in and around the Area of operation of the E&P companies according to priority fixed by the PSDC.

12. The committee will ensure that all relevant line departments of Provincial/Local Government are mobilized to support the projects for timely completion and ownership. All schemes which have been identified and approved by the PSDC will be implemented by the Deputy Commissioner (DC) as an executing agency. The funds to be expended in execution of such schemes shall be utilized strictly in accordance with the rules, procedures and instructions notified by the Government from time to time applicable to the schemes implemented from the public funds. Once the scheme(s) is/are approved by the PSDC, the PSDC will only have a role of periodic review of the scheme(s) which is/are under implementation and it will have no role whatsoever in the utilization of funds expended for the purposes of implementation of the scheme(s).


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13. The Secretary of the PSDC shall submit the annual Petroleum Social Development Programme (PSDP) and the previous year's progress to Energy Department and Planning and Development Department, by 31st March of each calendar year.

14. Once every sixth months, the DC shall effect the publication of a notice online and in the most widely-read newspaper in the district, announcing a public hearing to solicit any comments or reservations that the inhabitants of the district in general, and the purported direct beneficiaries of the scheme in particular, may have with regard to the schemes completed, initiated, or ongoing during the preceding six months. A list of all such schemes shall be included in the public notice along with their location, budget and current status.

15. Such notices for public hearings shall be sent to all district level trade organizations, chambers of commerce, Bar Associations and other prominent organizations and social welfare organizations. Notices shall also be sent to the provincial ombudsmen. Such public notices of the public hearings shall also be promptly placed on the website of the Deputy Commissioner office, if it has one.

16. A report in respect of completed schemes shall be sent to the Federal and Provincial Ombudsmen and to the Human Rights Cell of Supreme Court of Pakistan.

17. Secretary of the PSDC will open and administer a joint bank account (the Account) with the title "Petroleum Social Development Fund (PSDF)," to be operated by Deputy Commissioner and representative of E&P Company *or Additional Deputy Commissioner-I* for the purpose of funding projects identified by the PSDC through any Production Bonus payable by the E&P Company. The E&P Companies which are obligated to pay Production Bonus to the government will deposit the funds in the said account soon after companies' liabilities become due in consultation with the Energy Department. The unspent amount of the previous years, if any, shall also be deposited in the said account.

18. In the absence of DC, the official designee will be the alternate signatory. Secretary of the PSDC will be responsible for the maintenance of books of accounts, verification of invoices and other relevant records, including the minutes of the meetings. Secretary of the Committee will also forward copy of the minutes of the meeting, details of the schemes to Finance, P&D, Local Government and Energy Department.

19. In case Production Bonus payment relates to a lease, the boundaries of which lies in more than one province, the Production Bonus amount will be paid to the Provinces in the ratio of their respective share in the production of oil and gas from that province.

20. In case of receipt of money by way of Production Bonus by the Finance Department from Federal Government or E&P companies, it shall promptly transfer the same amount to the PSDF bank account of the district. The Finance Department will also transfer all the outstanding proceeds lying with it, if any, in the joint bank account of the Committee in the respective district.

21. In case Production Bonus payment relates to a lease, the boundaries of which lies in more than one District, the Production Bonus amount will be paid to those Districts in ratio of the lease area located in each District.

22. The information referred in 19 & 21 above relating to lease area shall be provided by the Director General of Petroleum Concessions to the Energy Department and

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respective Deputy Commissioner for the old and new deposits of production bonus respectively.

23. The bank account shall be properly maintained and may be subject to statutory external audit.

24. An annual progress report regarding Petroleum Social Development undertaken during financial year shall be prepared by the respective DC in coordination with PSDC. This report shall be provided to the Energy Department and DGPC, MoPNR.

25. The Secretary PSDC shall ensure that statutory audit of the funds are conducted annually by the Auditor General of Pakistan and audit report shall be submitted to MoPNR and Energy Department, Government of Sindh.


26. The E & P Company will provide an annual audit certificate from its statutory external auditor confirming the amount deposited with the Provincial Government with respect to its production bonus obligation.

27. Energy Department, GoS may revise the modalities/guidelines as deemed appropriate from time to time.

28. In case of a Provincial Government dispute in the PSDC on spending of Production Bonus, the decision of the Chief Secretary Sindh shall prevail.

29. This supersedes all previous guidelines on the Production Bonus proceeds.

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