

GOVERNMENT OF KHYBER PAKHTUNKHWA
ENERGY & POWER DEPARTMENT

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No. SO (P) E&P /1-58/2012
Dated Peshawar the, 04.09.2013

3859-65

To

1. The Commissioner,
Kohat Division,
Kohat.
2. The Deputy Commissioner,
Karak.

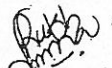
Subject: UTILIZATION OF PRODUCTION BONUS FUNDS-NASHPA BLOCK

Dear Sir,

I am directed to enclose herewith letter No.DCOK/2013/02 dated 25.06.2013 received from MNA Karak on the subject noted above and to state that Provincial Government of Khyber Pakhtunkhwa has formulated its own guidelines for the utilization of Production Bonus funds.

2. It is therefore requested to ensure the utilization of the Production Bonus funds according to the Provincial Government guidelines (copy enclosed).

Yours faithfully,


(Rukhsana Jabeen)
Section Officer (Energy)

Encl: As Above

Cc:

1. Mr. Nasir Khan Khattak, Member National Assembly, N.A. 15 Karak w/r to his above mentioned letter.
2. PS to Secretary Energy & Power Department.

Section Officer (Energy)

D.N.
01. note, as already
noted.

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GOVERNMENT OF KHYBER PAKHTUNKHWA
ENERGY & POWER DEPARTMENT

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Subject: **GUIDELINES FOR UTILIZATION OF PRODUCTION BONUS
OBLIGATIONS OF THE EXPLORATION & PRODUCTION
COMPANIES:**

In exercise of powers conferred under sub clause -3 of 4.1.2 "Production Bonuses" of the Petroleum Exploration and Production Policy 2012, which is reproduced below:

"It is intended that production bonuses will be expended on social welfare projects in and around the respective contract areas according to guidelines to be issued by the Provincial Government from time to time".

2. Salient features of the Guidelines are:-

- a. Minimum size of a scheme financed out of Production Bonus would be Rs. 1,000,000/-(Rupees One Million).
- b. Production Bonus amount will be utilized on Electricity, Supply of Gas, Education, Technical Education, Water Supply Schemes, Roads, Health Facilities and Construction of Small Dams etc.
- c. 50% share of Production Bonus will be utilized in oil & gas producing Tehsils, whereas balance 50% will be utilized in the remaining Tehsils of a District where well heads are located.
- d. The utilization of Production Bonus will be based on annual figures transferred by production companies.
- e. The composition of the Committee to utilize Production Bonus would be:

MNA (s) (of the District) (In case more than one MNA is available in the respective District's, the MNA of the constituency area from where maximum petroleum is produced)	Chairman
MPA (s) of District.	Member
Deputy Commissioner of the District	Secretary
E&P Company (Two representatives)	Vice Chairman and Member
Representative of concerned Department at the District	Member
Assistant Commissioner of concerned Tehsil	Member
Divisional Monitoring Officer (DMO) of Monitoring and Evaluation Directorate, P&D Department.	Member.

- f. A quorum shall include Secretary, Vice Chairman (representative of E&P Company) and minimum 51% members. In case there is more than one producing field in a District, then each Company shall nominate 2 members and the position of Vice-Chairman shall be rotated amongst the companies on quarterly basis.
- g. Vice-Chairman of PSDC after consultation with the community shall identify, prepare and approve sustainable scheme (s) for the benefit of the



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**GOVERNMENT OF KHYBER PAKHTUNKHWA
ENERGY & POWER DEPARTMENT**

Community in and around the Area. The schemes shall be handed over to the concerned Department after completion, which will be responsible for its recurring cost. The sustainability of project and its recurring cost will be made available from share of 10%.

- h. To monitor & supervise the execution of schemes, a District level committee headed by the Deputy Commissioner will be constituted. Respective MPAs, Representatives of Finance Department, P&D Department, Local Government Department and Assistant Commissioner concerned will be members of the said Committee.
- i. The Committee will ensure that all relevant line departments of Provincial Government are mobilized to support the projects for timely completion and ownership.
- j. All schemes which have been identified and approved by the PSDC will be implemented by the Deputy Commissioner 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 schemes(s).
- k. The PSDC will hold at least one quarterly meeting to discuss and agree on the community projects for local area and other relevant matters.
- l. The Secretary of the PSDC shall submit the annual Petroleum Social Development Programme (PSDP) and the previous year's progress to Energy & Power Department and Planning & Development Department by 31st January of each calendar year.
- m. 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 Vice Chairman for the purpose of funding projects identified by the PSDC through any Production Bonus payable by the E&P Company. All those producing E&P companies who are obligated to pay Production Bonus to the government for social welfare projects/infrastructure development in and around the respective contract Area will deposit the Production Bonus directly in Account of the Secretary (DC) in consultation with the Provincial Government, in a separate account to be opened for the purpose.
- n. 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 to Finance, P&D, Local Government and Energy & Power Department.



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**GOVERNMENT OF KHYBER PAKHTUNKHWA
ENERGY & POWER DEPARTMENT**

- o. Upon receipt the Provincial Government will transfer the same amount to PSDF bank account of the respective District. In case Production Bonus payment relates to a lease, the boundaries of which lie in more than one districts, the Production Bonus amount will be paid to those Districts in ratio of the lease area located in each district.
- p. An annual progress report regarding Petroleum Social Development undertaken during financial years shall be prepared by the respective Deputy Commissioner in coordination with PSDC. This report shall be provided to the Provincial Government.
- q. 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.
- r. Govt of Khyber Pakhtunkhwa may revise the modalities as deemed appropriate from time to time.
- s. In case of a Provincial/District Government dispute in the PSDC on spending of Production Bonus, the decision of the Chief Secretary, Provincial Government shall prevail.
- t. This supersedes all previous guidelines on the Production Bonus proceeds.