

**Government of Pakistan
Institutional Reforms Cell**

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WORKING PAPER FOR 27th IC MEETING
TO BE HELD ON 13TH MARCH, 2019 AT PM OFFICE

The agenda of today's meeting is as under:

- (i) Update by M/o Federal Education and Professional Training on the following entities:
 - a. BECS and NCHD
 - b. PNCU
 - c. NTP
 - d. Girls Guide and Boys Scout Associations

- (ii) Discussion on creation of new PAOs in Federal Government by Finance Division and proposal by DG IRSA, Ministry of Water Resources

- (iii) Briefing on performance of Saindak Metal Company and its transfer to GOB by Petroleum Division

- (iv) Discussion on Training Institutes

Ministry of Federal Education and Professional Training

a) **BECS and NCHD**

- A summary has been moved for the PM detailing the discussion on transfer of NCHD and BECS to provinces, its outcome, and subsequent proposal by the MoFEPT.
- Provinces are reluctant/delaying the acceptance of BECS and NCHD schools and teachers. (reference CCI meetings and IPEMC meeting minutes).
- The MoFEPT has proposed to shift all schools and teachers from BECS to NCHD.
- Shift NCHD and BECs teachers to recurring budget till provinces finally take over the schools and teachers.
- BECS regular posts to be shifted to Directorate General of Religious Education (DGRE).

Note: NCHD is suggested as an Autonomous Grant-in Aid Body in Annex 8, Table 9 by the PM's Task Force on Austerity and Government Restructuring.

b) **PNCU** – MoFEPT agrees to the notification of PNCU as an Executive Department as indicated in Annex 7 of the Task Force Report.

c) **NTP** is under consideration for dissolution

d) **Girls Guides and Boys Scouts** – MoFEPT agrees to the suggestion by the Task Force to notify them as Autonomous Grant-in Aid bodies as indicated in Annex 8, Table 9 of the Task Force Report.

Training Institute

- The Minutes of the 18th Meeting of Implementation Committee recorded:
 - The specialized training institutes will retain their existing set-up and will continue to undertake sector-specific policy research and impart specialized trainings under their respective Ministries/Divisions.
 - As a result the Ministry is in the process of re-organizing AEPAM, PMI and NEAS to set up a 'Pakistan Institute of Education' (tentative name) that will perform the function of training, data analytics and policy research.
 - A summary to merge the departments is at draft stage.

Government of Pakistan
MINISTRY OF ENERGY
(Petroleum Division)

**Brief on Performance of Saindak Metals Limited
and its transfer to Government of Balochistan**

Saindak Metals Limited (SML) is a public sector entity wholly owned by the Federal Government (GoP) and incorporated under the Companies Ordinance/Act. The Company is engaged at Saindak Copper-Gold Project in Chagai District of Balochistan Province. This Project was developed from initial exploration to commercial production phase with Federal Government's funding, amounting to Rs29.234 Billion during 1974 to 2008. This Project is providing livelihood and civic amenities (supply of electricity, drinking water, health-care and education facilities) to thousands of people in a remote and far flung area of the country.

Background:

2. Copper mineralization in Saindak area, District Chagai - Balochistan was discovered in the year 1961 by the Geological Survey of Pakistan (GSP). During 1972 to 1973, GSP and United States Geological Survey (USGS) jointly confirmed the existence of copper ore deposit through drilling. A Federal Public Sector Company namely Resources Development Corporation (RDC) was established in 1974 under administrative control of the then Ministry of Fuel, Power and Natural Resources for exploration, development and exploitation of the Saindak ore deposit. This company carried out detailed exploration in the area till 1978 and proved 412 million tons of copper ore in 3 orebodies – south, north and east.

3. In 1990, RDC signed an agreement with M/s China Metallurgical Construction Corporation (MCC) [a public sector entity of the People's Republic of China] for Project construction on turnkey basis through development of south orebody. The Agreement contained clause of facility of Supplier's Credit of US\$84 million against which equipment/machinery were to be supplied by the Contractor (MCC). The pre-stripping of mine, construction/ installation of concentrator, smelter, powerhouse, water supply line from Tahlab to the Project site, township and other auxiliary facilities were completed from 1991 to 1994.

4. RDC was later on renamed to Saindak Metals Limited (SML). In the year 1995, trial operation was started and 1,500 metric tons of blister copper was produced and sold in international market. However, due to low prices of copper and technical & financial constraints, the commercial operation could not be followed up. From 1996 to 2001, the project remained stalled and Government of Pakistan (GoP) sustained a loss of Rs.300 Million annually on payment of salary of the employees and static maintenance of machinery and other facilities.

Leasing of Saindak Copper-Gold Project Operation:

5. In the year 1999, a committee of Federal Cabinet was constituted to recommend options for making the Project operational. The Committee recommended leasing option to re-start the Project. The Cabinet at its meeting dated 02.02.2000 approved the aforesaid Committee's recommendations and constituted a Leasing Committee headed by the Minister for Petroleum & Natural Resources having representation of the Ministries of Finance, Commerce and Government of Balochistan (GoB). Adhering to the international practices and fulfilling codal formalities through proper bidding, the Committee recommended leasing of project to MCC China. The Cabinet approved the recommendation of Leasing Committee in 2001 and a Lease Contract was signed with M/s MCC on 30.11.2001 and Project operation was handed over to MCC on 02.10.2002. GoP accorded Export Processing Zone (EPZ) status to the Project to make it viable. Salient features of the Agreement with MCC China area as follows:-

<u>Contract Period:</u>	10 years w.e.f. 02.10.2002, extended upto October, 2022.
<u>Annual Rent:</u>	US \$ 0.5 Million [paid to SML].
<u>Profit Sharing:</u>	SML shares 50 % of cash surplus. [60% of SML net profit shared with GoB under Aghaze Haqooq-e-Balochistan Package (AHBP)]
<u>Royalty (paid to GoB):</u>	Initially 2% of sale proceeds, enhanced to 5% w.e.f. 17.07.2009
<u>Presumptive Tax:</u>	1.25% of sale proceeds upto June 2007, 01% of sale proceeds from July 2007 onwards, paid to GoP.
<u>EPZ Surcharge:</u>	0.5% of sale proceeds.
<u>Social Uplift Support:</u>	5% of net profit, paid to Miners' Welfare Board, GoB w.e.f. Oct.2012
<u>MCC Investment:</u>	US\$25 Million (US\$ 8-10 Million for rehabilitation and US\$ 15 Million as working capital).

6. The Project continuity beyond October 2012 was of paramount importance for socio-economic consideration for the people of Balochistan Province – the Project is providing livelihood to thousands of locals besides making substantial contribution to Provincial and Federal exchequers and community development. Therefore, the contract period was extended in 2012 & 2017 in 05 years spells with the consent of GoB and the approval of Federal Cabinet. The current lease contract extension up to October, 2022 envisaged development/exploitation of North Ore-body.

Progress and Achievements (from August 2003 to December 2018):

7. The Project carries out ore mining and its processing and smelting to blister copper (also containing gold and silver metals).

▶ <i>Total Ore Mined:</i>	71.6 million tonnes.
▶ <i>Sale of Blister Copper:</i>	236,831 Metric Tons (10,000-18,000 Tonnes/Year)
▶ <i>Royalty to GoB:</i>	US\$85.330 million
▶ <i>Profit Share to GoB (under AHBP):</i>	Rs4,369 million
▶ <i>Social uplift contribution to GoB:</i>	US\$6.227 million
▶ <i>SML profit share (50%):</i>	US\$304.837 million
▶ <i>Annual Rent to SML:</i>	US\$8.250 million
▶ <i>Presumptive Tax:</i>	US\$22.204 million
▶ <i>EPZ Development Surcharge:</i>	US\$10.610 million

From its profit share, SML paid Rs13,500 Million to GoP towards dividend.

Facilities Developed:

<i>Mining</i>	:	15,000 tons of copper ore per day
<i>Concentrator</i>	:	200-250 tons of copper concentrate per day
<i>Smelter</i>	:	65-80 tons per day
<i>Building Area</i>	:	57,169 sq. meters.
<i>Power House</i>	:	50MW
<i>Bulk Water</i>	:	60,085 cubic meter daily.
<i>Other Facilities</i>	:	Roads, Workshop, Laboratories, Water Treatment Plant, Storage, Warehousing and Weigh Bridge.
<i>Township</i>	:	Accommodation available for 1,800 employees.
<i>Health-care</i>	:	20 beds hospital.

All investment made by GoP = Rs29.234 billion (from 1974 to 2008)

Contribution towards Corporate Social Responsibility:

8. The Project has made remarkable contribution for socio-economic uplift of the area under Corporate Social Responsibility (CSR). Summary of the main activities is presented below:-

- *Employment opportunities to locals and transfer of technology:* Of 1,800 Project employees, more than 80% belong to Balochistan. The Project also provides extensive on-job training and 800 trained staff switched to local industry.
- *Health Care:* A 20-beds hospital established providing free medical treatment to Project employees as well as locals of surrounding villages. SML in collaboration with Balochistan Welfare Agency (BWA) has established mobile health unit and eye camps for local communities of District Chagai.
- *Free power & potable water supply* to Project employees and surrounding villages.
- *Sponsored Water Supply Scheme* from Gat Baroth to Nokkundi (62 km).
- *Education facility:* Saindak Model School established and scholarship provided to talented and deserving students of Balochistan (particularly District Chagai) for reputed Schools & Cadet Colleges around the country. A Technical Training Centre at Dalbandin has also been established to impart skills training to youth for various disciplines including mining.
- *Repair of road from Taftan to Saindak Project.*
- Total expenditure on the CSR related activities (since 2002) exceeds Rs1,033.00 million.

Monitoring of Project Activities:

9. All activities are well-documented and verified by different Government agencies i.e. Customs, EPZA, FBR and Directorate General of Mines & Minerals, Govt. of Balochistan.

- Commodities entering or taken away from Project area are documented by both the EPZA and Customs Authorities at Project site.
- Product Export from Saindak to Karachi treated as “bounded consignment”.
- Chief Inspector of Mines, GoB monitors the mining operations to ensure safety & health of workers on regular basis.
- Technical experts (Mining Engineer, Metallurgist etc.) deployed at site to monitor Project operational activities - mining and extraction of ore & metals and maintenance of plant/machinery.

- Products for sale are weighed and sampled by SGS laboratories.
- Accounts of Contractor are audited by a reputed Pakistani chartered accountant firm (A.F. Ferguson & Co.), appointed in consultation with SML.

Representation of Balochistan Province in all Project activities:

10. Managing Director SML belongs to Balochistan and two senior officers of Government of Balochistan (Additional Chief Secretary and Secretary Mines & Mineral Development Department) are members of SML's Board of Directors.

11. **Aghaze-Haqooq-e-Balochistan (AHB) Package:**

<i>Cabinet Committee's Decision</i>	<i>Implementation Status</i>
<i>Federal Government from its 50% profit share in Saindak Project (after deducting expenses and tax) will give 30% to Province.</i>	Implemented. SML has paid profit share amounting to Rs.4,368.761 million to GoB.
<i>On completion of current lease term with MRDL, the project to be owned by Balochistan. Federal Government's investment will be redeemed by GoB on terms & conditions approved by GoP in the light of business plan to be furnished by GoB prior to acquisition of the Project.</i>	GoB consented to continuance of the existing arrangements for Project operations through extension of Contract between SML and MCC upto October 31, 2022. The recent 05 years' extension was approved by the Federal Cabinet on 26.09.2017 and an agreement in this regard was signed by the parties on 26.10.2017 in a ceremony held in Prime Minister's Office in presence of the Chief Minister, Balochistan. Secretary Mines & Mineral Development Department also signed this agreement as witness.

Observations of Finance Division on Transfer of Project to the Province:

12. While considering the transfer of the Project ownership to Balochistan Province under AHB Package, the Finance Division had commented as follows:-

- a) The Govt. of Balochistan (GoB) should redeem federal investment [> Rs29 billion] before transfer of ownership of the project as per decision of the Cabinet Committee on Aghaze Haqooq-e-Balochistan and was then committed by the Chief Minister Balochistan in 2009.
- b) The transfer of Project ownership free of cost may have implications for Federal Government investments in similar projects located in other provinces as they may seek similar dispensation for their projects such as Tarbela and Oil & Gas sector projects.
- c) As per the decision of the Cabinet Committee on Aghaz-e-Haqooq-e-Balochistan, transfer of ownership of the project is contingent on completion of the lease period, which has been extended upto October 2022, and consideration of the proposal at this stage is premature.

- d) The Project being of highly technical nature encountered several problems at the time of operation. The operation of project by GoB would require sound technical capacity which does not seem to exist within GoB. This aspect may also be kept in view.
- e) The Board of Directors of Saindak Project has sufficient representation from Balochistan [presently ACS & Secretary Mines Department] and MD SML is a native of Balochistan.

After deliberation on the project transfer proposition in 2017, the GoB consented to the continuance of existing arrangement for Project operation under the contract between SML and MCC China and the term of the said contract was accordingly extended upto October 2022.

Implications of Project Transfer:

13. Saindak Copper-Gold Project is the only project in the country producing Blister Copper [containing copper, gold and silver metals] from indigenous ore of Saindak area. This legendary Project is making exemplary contribution to the community development under its CSR Programme and unprecedented revenue contribution and profit sharing with GoB. However, the developed ore-body is near to depletion and a lot more effort and financial investment is required for exploration and development of additional ore reserves to ensure the Project continuity. In follow-up of a resolution passed by the Balochistan Assembly regarding transfer of Project control to the Province, the GoB has deputed a committee of MPAs to look into and make recommendations on the matter, which are still awaited.

14. SML has also highlighted the abovementioned view-point of Finance Division. Moreover, the company has obtained mining lease from the GoB in accordance with Provincial mining laws, which is valid upto 2025, and the prescribed royalty dues etc. are being paid to GoB. The Secretaries Committee had recommended devolution/transfer of SML to the Province subject to conditions, which were however not mentioned. **The Finance Division has been stressing for payment by SML of the federal debt exceeding Rs29 billion outstanding against the Saindak Project alongwith interest thereon, and had also shown reservation on the transfer of the Project to GoB. The GoB is not ready to accept and pay off this liability. SML has sought its delisting from the organizations being transferred to the Provinces.**

15. The proposition of transfer of SML/Saindak Project to the Province needs consultation with other Ministries concerned, Finance Division and Law Division etc. In view of the position explained above and the past experience/pace of sectoral development in the Province (Reko-Diq etc.), it seems advisable that the SML/Project operation continues under federal umbrella with direction from a Board having representation of both GoP and GoB. SML is an exhibit of GoP's resolve to support the development of mineral resources in the Province and its operational base can be expanded to the benefit of Provinces.

16. **The Petroleum Division has already requested for delisting of SML from the entities proposed to be devolved to the Province/GoB.**

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Training Institutes

Proposed Training, Policy Support & Research Institutes:

Sr. No.	Division	Name of Department	Proposed configuration	Responses of Parent Ministries
01	Commerce	1. Pakistan Institute of Trade and Development, Islamabad	To be merged into the proposed Industry and Trade Policy Institute (ITPI)	In the 11 th Implementation Committee meeting held on 29-10-2019, the representative of PITAD conveyed the consent of the Ministry to the proposed merger.
02	Communication	2. National Transport Research Centre (NTRC)	To be merged into the proposed Infrastructure Policy Institute (IPI)	In the 11 th Implementation Committee meeting held on 29-10-2019, the representative of the Ministry of Communications stated that the NTRC was being revitalized as a research wing, until the establishment of the IPI as per the decision of the Implementation Committee.
03	Federal Education & Professional	3. Pakistan Manpower Institute (PMI)	To be merged into the Proposed Human Development Policy Institute (HDPI)	The Ministry agreed to the proposed merger in the 15 th Implementation Committee meeting held on 10-12-2019.
		4. Academy of Educational Planning & Management	To be merged into the Proposed Human Development Policy Institute (HDPI)	The Ministry agreed to the proposed merger in the 12 th Implementation Committee meeting held on 05-11-2019.
04	Information & Broadcasting	5. Information Services Academy	To be part of the proposed Media University	The Ministry agreed to the proposal in the 12 th meeting of the Implementation Committee held on 05-11-2019.
05	Interior	6. National Police Bureau	To be merged into the proposed National Police Training and Research Institute (NPTRI)	It was agreed in the 12 th Implementation Committee meeting held on 05-11-2019 that the NPB and NPA will retain their independent organizational statuses.
		7. National Police Academy	To be merged into the proposed National Police Training and Research Institute (NPTRI)	
06	Industries & Production	8. National Productivity Organization	To be merged into the proposed Industry and Trade Policy Institute (ITPI)	

07	National Food Security & Research	9. Agriculture Policy Institute	To be merged into the proposed Agriculture, Food and Environment Policy Institute (AFEPI)	The Ministry agreed to the proposed merger in the 14 th Implementation Committee meeting held on 03-12-2019.
08	National Health Services, Regulations & Coordination	10. Health Services Academy (HAS)	To be part of the proposed Human Development Policy Institute (HDPI)	
		11. National Institute of Population Studies	To be part of the Pakistan Health Research Council (PHRC)	The Ministry agreed to the proposal in the 14 th Implementation Committee meeting held on 03-12-2019.
		12. National Research Institute of Fertility Control	To be part of the Pakistan Health Research Council (PHRC)	Ministry agreed to the proposal in the 14 th Implementation Committee Meeting held on 03-12-2019.
09	Finance	13. Audit and Accounts Academy	To be merged into the proposed Institute of Fiscal Policy and Financial Management (IFPFM)	In the 12 th Implementation Committee meeting the AGP stated that he had no objection to the creation of a governing body over the academy provided that the control of the academy remained with the AGP.
10	Revenue	14. Directorate General Training Customs	To be merged into the proposed Institute of Fiscal Policy and Financial Management (IFPFM)	The Chairman FBR gave his consent to the proposed arrangement in the 13 th Meeting held on 26-11-2019 on the clarification that the management of the both institutions would remain with the respective ministries.
		15. Directorate General Training Inland Revenue Services	To be merged into the proposed Institute of Fiscal Policy and Financial Management (IFPFM)	
11	Petroleum	16. Hydrocarbon Development Institute of Pakistan (HDIP)	To be merged into the proposed Energy Policy Institute (EPI)	The Ministry agreed to the proposed merger in the 14 th meeting held on 03-12-2019.
12	Railways	17. Pakistan Railways Academy Walton	To be merged into the proposed Infrastructure Policy Institute (IPI)	

On the matter of ‘merger’ of training institutes, representatives of multiple ministries expressed reservations on the concept. To clarify any misconceptions regarding the use of the word ‘merger’, the Chair presented a position paper on the ‘*Reorganisation of Training and Policy Research Institutions in the Federal Government*’, at the 18th Implementation Committee meeting held on 31-12-2019. The Chair stated that the training institutes will continue to exist as they do today but are being brought together under one umbrella to ensure better use of resources and avoid duplications. These institutes would hence, function on the model of the National School of Public Policy with an independent Board that shall determine training and policy research needs, faculty, curriculum etc. These Boards will be headed by the Secretaries of the Divisions and heads of cadres as well as ex-officio members from the Finance Division and Establishment Division. The proposed boards are listed below:

- Fiscal Policy and Financial Management Research and Trainings Board
- Energy Policy Research and Trainings Board
- Infrastructure Policy Research and Trainings Board
- Human Development Policy Research and Trainings Board
- Industrial and Trade Policy Research and Trainings Board
- Agriculture and Environment Policy Institute (AEPI)

After the Chair provided a detailed overview of the functions of these Boards, the committee made two decisions with regards to the reorganisation of training institutes. The decisions recorded in the minutes of the 18th Implementation Committee meeting are reproduced below as originally recorded:

- i. *The specialized training institutions will retain their existing set up and will continue to undertake sector-specific policy research and impart specialized trainings under their respective Ministries / Divisions.*
- ii. *In order to fulfil the deficiency of generalized management trainings to the officers of all Ministries / Divisions / Departments, a single large management training institute will be set up at Islamabad to impart across the board trainings at wider scale. The terms of reference, governance, management structure and the financial modalities for such an institute would have to be worked out. **The Committee would revisit these issues in its next meeting.***

Annex-6

TABLE-6 -PROPOSED TRAINING,POLICY SUPPORT AND RESEARCH INSTITUTES

Sr. No.	Division	Name of Department	Remarks
01	Commerce	1. Pakistan Institute of Trade and Development, Islamabad	To be merged into the proposed Industry and Trade Policy Institute (ITPI)
02	Communication	2. National Transport Research Centre (NTRC)	To be merged into the proposed Infrastructure Policy Institute (IPI)
03	Federal Education & Professional	3. Pakistan Manpower Institute (PMI)	To be merged into the Proposed Human Development Policy Institute (HDPI)
		4. Academy of Educational Planning & Management	To be merged into the Proposed Human Development Policy Institute (HDPI)
04	Information & Broadcasting	5. Information Services Academy	To be part of the proposed Media University
05	Interior	6. National Police Bureau	To be merged into the proposed National Police Training and Research Institute (NPTRI)
		7. National Police Academy	To be merged into the proposed National Police Training and Research Institute (NPTRI)
06	Industries & Production	8. National Productivity Organization	To be merged into the proposed Industry and Trade Policy Institute (ITPI)
07	National Food Security & Research	9. Agriculture Policy Institute	To be merged into the proposed Agriculture, Food and Environment Policy Institute (AFEPI)
08	National Health Services, Regulations & Coordination	10. Health Services Academy (HAS)	To be part of the proposed Human Development Policy Institute (HDPI)
		11. National Institute of Population Studies	To be part of the Pakistan Health Research Council (PHRC)

		12. National Research Institute of Fertility Control	To be part of the Pakistan Health Research Council (PHRC)
09	Finance	13. Audit and Accounts Academy	To be merged into the proposed Institute of Fiscal Policy and Financial Management (IFPFM)
10	Revenue	14. Directorate General Training Customs	To be merged into the proposed Institute of Fiscal Policy and Financial Management (IFPFM)
		15. Directorate General Training Inland Revenue Services	To be merged into the proposed Institute of Fiscal Policy and Financial Management (IFPFM)
11	Petroleum	16. Hydrocarbon Development Institute of Pakistan (HDIP)	To be merged into the proposed Energy Policy Institute (EPI)
12	Railways	17. Pakistan Railways Academy Walton	To be merged into the proposed Infrastructure Policy Institute (IPI)

1. Pakistan Institute of Trade and Development, PITAD
2. National Transport Reserch Centre (NTRC)
3. Pakistan Manpower Institute
4. Academy of Educational Planning & Management
5. Information Services Academy
6. National Police Bureau
7. National Police Academy
8. National Productivity Organization
9. Agriculture Policy Institute
10. Health Services Academy (HAS)
11. National Institute of Population Studies
12. National Research Institute of Fertility Control
13. Audit and Accounts Academy
14. Directorate General Training Customs
15. Directorate General Training Inland Revenue Services
16. Hydrocarbon Development Institute of Pakistan (HDIP)
17. Pakistan Railways Academy Walton

Annex-5

TABLE-5 - MERGERS

Sr. No.	Division	Name of Department	Remarks
01	Commerce	1. Pakistan Institute of Trade & Development, Islamabad	To be merged into the proposed Industry and Policy Institute (IPI)
02	Establishment	2. Akhtar Hameed Khan National Centre for Rural Development (AHKNCRD)	To be merged into NSPP
		3. Secretariat Training Institute (STI)	To be merged into NSPP
		4. Pakistan Academy for Rural Development (PARAD)	To be merged into NSPP
03	Federal Education & Professional Training	5. Pakistan Manpower Institute (PMI)	To be merged into the proposed Human Development Policy Institute (HDPI)
		6. Academy of Educational Planning & Management (AEPAM)	To be merged into the proposed Human Development Policy Institute (HDPI)