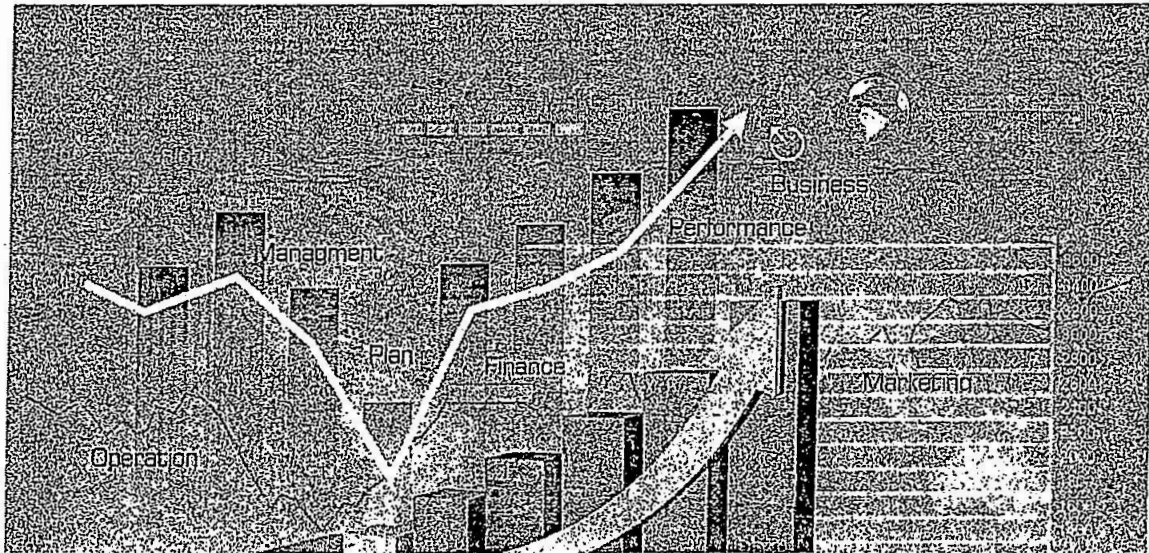


SENATE OF PAKISTAN



REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE



REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE ON PRIVATE MEMBER BILL MOVED BY SENATOR BAHRAMAND KHAN TANGI, "STATE OWNED ENTERPRISES (GOVERNANCE AND OPERATIONS) (AMENDMENT) BILL, 2023"

PRESENTED BY
SENATOR SALEEM MANDVIWALLA
CHAIRMAN

SENATE SECRETARIAT

REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE ON PRIVATE MEMBER BILL MOVED BY SENATOR BAHRAMAND KHAN TANGI "STATE OWNED ENTERPRISES (GOVERNANCE AND OPERATIONS) (AMENDMENT) BILL, 2023"

I, Senator Saleem Mandviwalla, Chairman Senate Standing Committee on Finance and Revenue have the honor to present the report of the Committee on Private Member Bill moved by Senator Bahramand Khan Tangi, "State Owned Enterprises (Governance and Operations) (Amendment) Bill, 2023", referred by house on 20th November, 2023 to the Committee for Consideration and report.

2. The Committee comprises of the following honorable Members:-

1. Senator Saleem Mandviwalla	Chairman
2. Senator Sherry Rehman	Member
3. Senator Farooq Hamid Naek	Member
4. Senator Musadik Masood Malik	Member
5. Senator Saadia Abbasi	Member
6. Senator Zeeshan Khanzada	Member
7. Senator Mohsin Aziz	Member
8. Senator Faisal Saleem Rahman	Member
9. Senator Syed Shibli Faraz	Member
10. Senator Kamil Ali Agha	Member
11. Senator Syed Faisal Ali Subzwari	Member
12. Senator Muhammad Talha Mahmood	Member
13. Senator Dilawar Khan	Member
14. Senator Manzoor Ahmed	Member
15. Minister for Finance and Revenue	Ex-Officio Member

3. The Committee considered the Bill in its meeting held on 19th December, 2023 at 02:00 p.m. in Committee Room No. 2, Parliament House, Islamabad. The meeting was attended by the following Members.

1) Senator Saleem Mandviwalla	Chairman
2) Senator Musadik Masood Malik	Member
3) Senator Saadia Abbasi	Member
4) Senator Zeeshan Khanzada	Member
5) Senator Mohsin Aziz	Member
6) Senator Kamil Ali Agha	Member
7) Senator Farooq Hamid Naek	Member
8) Senator Faisal Saleem Rahman	Member
9) Senator Dilawar Khan	Member
10) Senator Bahramand Khan Tangi	Mover

Senator Bahramand Khan Tangi briefed the Committee on the amendments proposed in the State-Owned Enterprises (Governance and Operations) Bill 2023, Section 11, 17 and 18. The amendments include disqualifying directors who exploit state-owned assets for political gain, ensuring the Board remains detached from daily company operations, and transferring the authority to appoint a chief executive officer from the Board to the controlling Ministry based on recommendations. The amendments address concerns about arbitrary powers of the Board and improper use of state-owned assets, aligning the law with the Companies Act, 2017.

5. The Chairman Committee directed Finance Secretary to prepare a comparative analysis of the bill identifying the amendment on the recommendation of the committee members.

6. The Committee again considered the Bill in its meeting held on 17th January, 2024 at 02:00 p.m. in Committee Room No. 4, Parliament House, Islamabad. The meeting was attended by the following Members.

1) Senator Saleem Mandviwalla	Chairman
2) Senator Sherry Rehman	Member
3) Senator Farooq Hamid Naek	Member
4) Senator Saadia Abbasi	Member
5) Senator Zeeshan Khanzada	Member
6) Senator Kamil Ali Agha	Member
7) Senator Bahramand Khan Tangi	Mover

7. Senator Bahramand Khan Tangi informed the Committee about his proposed amendments to Sections 11, 17, and 18 in the State Owned Enterprises (Governance & Operations) (Amendment) Bill. The Secretary Finance Ministry highlighted that the existing laws on State Owned Enterprises (SOEs) already encompass the additions suggested by the Senator. He emphasized the presence of safeguards preventing abuse of authority for personal gains in higher positions within companies. In response, Senator Bahramand Khan Tangi clarified that his proposed addition aims to prevent members of the board of directors from utilizing state-owned assets for political purposes or personal benefits. Citing instances of abuse of position by DISCO's board members, he stressed that these amendments would reinforce existing measures and enhance the strength of the institutions without introducing new changes.

8. Senator Farooq H. Naek sought clarification on the term "political point scoring", used in the proposed amendment to Section 11, from Senator Bahramand Khan Tangi, who stated that he has proof against individuals in influential positions within DISCOs misusing their power. He emphasized that, currently, there are no board members who do not have political affiliations, and if they were to use state assets, it would be deemed as political point scoring. The Chairman

Committee reassured the Secretary Finance that these proposed amendments are aimed at strengthening existing laws. The Secretary Finance reiterated that the existing laws already address the concerns. Senator Farooq H. Naek distinguished between conflict of interests and personal gain, proposing the use of "political and monetary gain" as a substitute to "personal gain". Senator Bahramand Khan Tangi highlighted instances where board members' children are contesting elections, terming it as political point scoring. The Committee expressed support for Senator Bahramand Khan Tangi's amendments. The Committee unanimously proposed the words "personal gain" be substituted with the words "political and monetary gains" in Clause 2, sub-Clause (iii) of the Amendment Bill.

9. The Committee proceeded to discuss Section 17 of the SOE Amendment Bill. Senator Bahramand Khan Tangi clarified that the proposed addition intends to prevent board members from interfering in the day-to-day affairs of the Chief Executive Officer (CEO). However, the Committee convinced the mover that this amendment is already in the existing law, therefore, the Committee recommended the omission of Clause 3 of the Amendment Bill.

10. The Committee then discussed Section 18 of the SOE Amendment Bill, regarding the appointment and removal of the CEO. The Secretary Finance emphasized that the existing law incorporates a "fit and proper" criteria for senior officials, encompassing various checks such as skills, knowledge, at least a graduate degree, among other criteria. Senator Farooq H. Naek highlighted the absence of specific experience requirements in the law, arguing against appointing someone with minimal relevant experience as a CEO. The Committee Chairman clarified that while the appointment would still be within the board's purview, a minimum level of experience would be added to the law. The Committee unanimously proposed for the words "shall appoint a Chief Executive Officer having at least twenty years of relevant experience" to be substituted with "shall appoint a Chief Executive Officer having at least ten years of relevant experience".

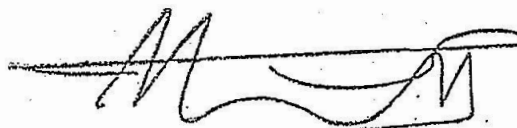
11. After detailed deliberations the Committee proposed following amendments in the State-Owned Enterprises (Governance and Operations) (Amendment) Bill, 2023:-

- a. in Clause 2, in sub-Clause (iii), in paragraph (k), for the words "personal gain", the words **"political and monetary gains"** shall be substituted;
- b. Clause 3 shall be omitted; and
- c. in Clause 4, for the words " shall appoint a chief executive officer having at least twenty years of relevant experience" the words **"shall appoint a chief executive officer having at least ten years of relevant experience"**, shall be substituted.

12. The Bill as introduced in the Senate is place as Annexure 'A' while the Bill passed by the Committee is placed as Annexure 'B'. The Committee approved presentation of the report in the House.



(IFFAT MUSTAFA)
Secretary Committee



(SENATOR SALEEM MANDVIWALLA)
Chairman Committee

[AS INTRODUCED IN THE SENATE]

A

BILL

further to amend the State-Owned Enterprises (Governance and Operations) Act, 2023

WHEREAS it is expedient and substantial to bring meaningful and significant amendments in the State-Owned Enterprises (Governance and Operations) Act, 2023 (VII of 2023) for the purposes hereinafter appearing;

It is hereby enacted as follows:-

1. Short title and commencement. (1) This Act may be called the State-Owned Enterprises (Governance and Operations) (Amendment) Act, 2023.

(2) It shall come into force at once.

2. Amendment of Section 11, Act VII of 2023. In the State-Owned Enterprises (Governance and Operations) Act, 2023 (VII of 2023) hereinafter referred to as the said Act, in section 11,-

(i) in clause (i), the word "or", occurring at the end, shall be omitted;

(ii) in clause (j), for the full stop occurring at the end the expression ";or" shall be substituted; and

(iii) after clause (j) amended as aforesaid, the following new clause (k) shall be inserted, namely:-

"(k) a person who use the state-owned assets for his political point scoring or personal gain."

3. Amendment of Section 17, Act VII of 2023. - In the said Act, in section 17, in sub-section (1), for the full stop occurring at the end, a colon ":" shall be substituted and thereafter, the following proviso shall be added, namely:-

"Provided that the Board shall keep itself aloof from the day to day functioning of the Company or the concerned authority in case of statutory state-owned enterprises."

4. **Amendment of Section 18, Act VII of 2023.** - In the said Act, in section 18, for sub-section (1), the following shall be substituted, namely:-

"(1) The Federal Government on the recommendation of the controlling Ministry, in case of a company, shall appoint a chief executive officer having at least twenty years of relevant experience or concerned authority in case of statutory state-owned enterprise shall appoint a chief executive officer to the state-owned enterprise under a performance base contract for a specified period, unless such period is already specified in the enactment governing statutory state-owned enterprise:

Provided that the Board or the concerned authority shall bring their existing arrangements with the appointment of chief executive officer in line with this provision within one year of coming into effect of this law."

STATEMENT OF OBJECTS AND REASONS

The State-Owned Enterprises (Governance and Operations) Act, 2023, is a Pari-materia for the companies established under the Companies Act, 2017 and State-Owned Enterprises. In the said Act, criteria regarding appointment of the Board, Directors and the Chief Executive Officer has been provided. Keeping in view the arbitrary powers of the Board, usage of state-owned assets for political point scoring and intervention in the day to day functioning of the Company. The Bill seeks to amend the said Act in a way where Board shall keep itself aloof from the day to day functioning of the Company. The Director who use assets of the company for his political point scoring shall be disqualified and appointment of the chief executive officer is shifted from the Board to the controlling Ministry after recommendation of the Board.

2. This Bill has been developed to achieve the aforesaid objectives.

SENATOR BAHRAMAND KHAN TANGI
MEMBER-IN-CHARGE

[AS AMENDED BY THE COMMITTEE]

A

BILL

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(ii) in clause (j), for the full stop occurring at the end the expression ";or" shall be substituted; and

(iii) after clause (j) amended as aforesaid, the following new clause (k) shall be inserted, namely:-

"(k) a person who use the state-owned assets for his political point scoring or **political and monetary gains.**"

3. Amendment of Section 18, Act VII of 2023. - In the said Act, in section 18, for sub-section (1), the following shall be substituted, namely:-

"(1) The Federal Government on the recommendation of the controlling Ministry, in case of a company, **shall appoint a chief executive officer having at least ten years of relevant experience** or concerned authority in case of statutory state-owned enterprise shall appoint a chief executive officer to the state-owned enterprise under a performance base contract for a specified period, unless such period is already specified in the enactment governing statutory state-owned enterprise:

Provided that the Board or the concerned authority shall bring their existing arrangements with the appointment of chief executive officer in line with this provision within one year of coming into effect of this law."

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SENATOR BAHRAMAND KHAN TANGI
MEMBER-IN-CHARGE