

**PUNJAB SMALL INDUSTRIES CORPORATION
PC – 1 FORM**

**Demonstration Project on Industries for Urban Centers,
Relocation of Tannery Units to Sialkot Tannery Zone and
its Operationalization(PGDP)
(GS No. 3722)**

(Cost of the Project: Rs.500.000 million)



(NOVEMBER, 2020)

**DIRECTORATE OF PLANNING, EVALUATION & NEW
INITIATIVES
ALFALAH BUILDING, THE MALL, LAHORE**

PC-I FORM

GOVERNMENT OF PAKISTAN PLANNING COMMISSION

1	<u>Name of the Project</u>	Demonstration Project on Industries for Urban Centers, Relocation of Tannery Units to Sialkot Tannery Zone and its Operationalization (Punjab Green Development Program) (GS No. 3722)															
2	<u>Location</u>	Punjab.															
3	<u>Authorities Responsible for</u> <ul style="list-style-type: none"> • Sponsoring • Execution. • Operation & Maintenance. • Concerned Federal Ministry 	<p>Industries, Commerce, Investment, and Skills Development Department, Government of the Punjab.</p> <p>Punjab Small Industries Corporation through Program Delivery Unit (PDU) to be formulated under another scheme of PGDP titled “Pilot/Demonstration Resource Efficiency & Cleaner Production Investments in key Industrial Sectors”.</p> <p>Punjab Small Industries Corporation in collaboration with Sialkot Tannery Association Guarantee Limited (STAGL) / STZ.</p> <p>N/A</p>															
4 (a)	<u>Plan Provision:-</u> <ul style="list-style-type: none"> • If the project is included in the medium term / five-year plan, specify actual allocation. • If not included in current plan, what warrants its inclusion and how it now proposed to be accommodated? 	<p>The project is included in the medium term / five year plan (ADP 2020-21) with the following allocations.</p> <table style="width: 100%; border-collapse: collapse; margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="5" style="text-align: right; border: none;">Rs. In Million</th> </tr> <tr> <th style="border: 1px solid black;">2020-21</th> <th style="border: 1px solid black;">2021-22</th> <th style="border: 1px solid black;">2022-23</th> <th style="border: 1px solid black;">2023-24</th> <th style="border: 1px solid black;">TOTAL</th> </tr> </thead> <tbody> <tr> <td style="border: 1px solid black; text-align: center;">100.00</td> <td style="border: 1px solid black; text-align: center;">100.00</td> <td style="border: 1px solid black; text-align: center;">200.00</td> <td style="border: 1px solid black; text-align: center;">100.00</td> <td style="border: 1px solid black; text-align: center;">500.00</td> </tr> </tbody> </table> <p>N.A</p>	Rs. In Million					2020-21	2021-22	2022-23	2023-24	TOTAL	100.00	100.00	200.00	100.00	500.00
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 (b)	<ul style="list-style-type: none"> • Provision in current year PSDP/ADP. 	Rs. 100.00 Million															

<p>5</p>	<p><u>Project Objectives</u></p> <ul style="list-style-type: none"> The objectives of the sector/sub-sector as indicated in the medium term/five-year plan be reproduced. 	<p>VISION</p> <p>To encourage & promote industry including SMEs for sustainable growth, credit facilitation including Micro Financing, facilitation in Trade, Investment & Business, provision of state of the art Industrial infrastructure, availability of Skilled Manpower, Consumer Protection and co-ordination in Price control.</p> <p>MISSION</p> <p>To create economic prosperity by reviving growth of manufacturing industries, strengthening the competitiveness of Punjab’s business environment, promoting trade by facilitating development of efficient export supply chain and investment climate that helps catalyse private sector development, and addressing issues related to fair trade.</p> <p>OBJECTIVES</p> <ul style="list-style-type: none"> Promotion of Industry & Investment through establishment of industrial states / zones/ parks in the Province Creation of skilled manpower for industry Advocacy and Implementation of Trade & Investment Policies of the Federal/ Provincial Governments Providing incubation support and result oriented financing for enhancing entrepreneurship and women led businesses Liaison with Private Sector, Trade Bodies and Trade Associations Conduct research and provide Technical Expertise to Private Sector Provision of Quality Trainings to the youth of Punjab Innovation in training delivery One Governing Body for TVET Institutes & Stronger Market Linkages with TVET Sector of Punjab <p>STRETEGIC INTERVENTIONS</p> <ul style="list-style-type: none"> Provision of infrastructure in Industrial Estates in Punjab. Increasing access to finance for SMEs Development of industrial clusters Enhance training capacities of existing technical training institutes Development of handicrafts through artisan villages. Provision of one window facilities for investors and industrialists Establishment of online Business Registration Portal
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	<ul style="list-style-type: none"> • Indicate objectives of the Project and a Linkage between the Proposed Project and the sectoral objectives 	<p>POLICY</p> <ul style="list-style-type: none"> • To create an enabling environment for the private sector to grow and prosper, so as to achieve the government’s objectives of employment generation, increased income and poverty alleviation • Creating a better quality of life for the citizens of Punjab by: <ul style="list-style-type: none"> ○ Encouraging private sector to invest in Punjab. ○ Generating growth in the economy to create employment ○ Improving infrastructure and key services necessary for economic uplift ➤ Assessing skills requirements and provision of need based skills training <p>Government of the Punjab has developed a broad program to address environmental issues and promote green development in Punjab in the short, medium, and long term. The objectives of the program are to improve environmental quality in the province and reduce air, soil, and water pollution.</p> <p>The objective of the project is to facilitate the on-going initiatives by the industries community and Govt. of Pakistan (Federal Govt. Ministry of Climate Change, Ministry of Commences and Provincial Govt. - Environment Protection Department), as well as local stakeholders at Sialkot Chamber of Commerce & Industries and Sialkot Tannery Association (Guarantee) Limited / STZ. Major Objectives of the scheme will be as under so as to facilitate Sialkot Tannery Zone for its operationalization:</p> <ol style="list-style-type: none"> 1. To provide financial support to Sialkot Tannery Zone (STZ), in connection with establishment of Grid station through the funds provided by Government of Punjab under this scheme 2. To provide financial support to Sialkot Tannery Zone (STZ), in connection with Sui Gas facility through the funds provided by Government of Punjab under this scheme 3. To provide financial support to Sialkot Tannery Zone (STZ), in connection with establishment of Chrome Recovery Plant (CRP) 4. To facilitate tanneries around Sialkot through provision of loan facility for establishing their units/tanneries in Sialkot Tannery Zone (STZ). 5. To facilitate Sialkot Tannery Zone, to make it operational and functional, in any other manner subject of availability and provision of additional funds by the Government of Punjab <p>The objectives to be achieved by STZ, as reported, are;</p> <ol style="list-style-type: none"> i. To enhance the exportability and International acceptability of the leather sector products of Pakistan through green
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- productivity
- ii. To enable tanneries meet standards of Leather Working Group (LWG)
 - iii. To enhance resilience of the communities in around Sialkot Tannery Zone through adaptation measures.
 - iv. To provide common effluent treatment facility to ensure adherence to the Punjab Environmental Quality Standards (PEQS).
 - v. To provide one place for collection of solid waste emanating from the tanneries.
 - vi. To improve health facilities of tannery workers
 - vii. To provide fresh employment to a number of people
 - viii. To allow improvement of infrastructure facilities in the city after re-location of existing tanneries
 - ix. To stop ingress of toxicity to ground water.
 - x. To centralize tanning activities to reduce environmental degradation.
 - xi. To reduce use of water, chemicals & waste in tanning process through introduction of cleaner production techniques
 - xii. To improve overall environmental situation in Sialkot

The scheme's objective is to assist implementation of Govt. of Punjab's policy on environmental management, climate change and green productivity so as to enhance the competitiveness of the industrial output, enabling the country to improve the balance of payment through export promotion & employment generation.

The scheme would assist STZ in completion of its targets and ensure adhere the pollution abatement activities and promote cost effectiveness through combine treatment of industrial water, introducing modern techniques of resource conservation i.e. chemicals, water & energy so as to enable the industry to be environmental compliant as well as their products are in conformity to the international quality standards.

LINKAGE BETWEEN PROJECT AND SECTOR'S OBJECTIVE

Punjab's Growth Strategy envisioned that growth must be private sector-led, investment-driven, export-oriented, environmentally sound, and employment-intensive. Industries would be a strategic way to jointly achieve these objectives, and in so doing, Punjab could become a lighthouse for the rest of Pakistan. This would require both strengthening environmental policy (stick) and developing elements of a green industrial policy looking at investment, innovation, and trade (carrot). Importantly, policy objectives should go beyond the current focus on pollution control and compliance, to include preventive and circular approaches at the firm and industry levels that could yield environmental and productivity/competitiveness gains. The time has come to integrate these approaches in strategies and regulations, and to institutionalize and mainstream them

across relevant government agencies. The scheme's objective is to assist in the implementation of Govt. of Punjab's policy on environmental management, climate change and green productivity so as to meet the qualitative standards & environmental compliances as per international requirements and improve competitiveness of the industrial output, enabling the country to improve the balance of payment through export promotion & employment generation.

Secondly, Punjab Growth Strategy speaks that limited support exists for entrepreneurship, enterprise development and business development services. The project will lead to creation of enabling environment for industrial and economic growth in the province. It will provide directly support to industrial sector to sustain and re-orient themselves under new conditions and meet the international requirements and compliance standards.

Tanning industry is very important for Pakistan as it fetches more than 1.0 billion US\$ annually and is a source of employment. It was observed in past few years the export of leather industry is on decline and one of the major issue is the compliance of international environment standards. The growth of leather sector has however been restrained by an inability of the leather industry to meet rigorous customer requirements and compliance regulations of the importing countries. This is particularly important for the European Union (EU) markets as Pakistan was granted GSP+ status. Now a new requirement from the Brands of European Union (EU) has introduced that is compliance of Leather Working Group (LWG).

To overcome this situation, through Public Private Partnership a project called Sialkot Tannery Zone (STZ) is already launched. The project has faced financial gaps, which were requested from Govt. of Punjab and accordingly Environment Protection Department included the STZ project in Punjab Green Development Program (PGDP).

Afterwards various meetings were held with World Bank Mission and finally World Bank considered Sialkot Tannery Zone as very important project in achieving sustainable goal and approved to add financing to Sialkot Tannery Zone project in Punjab Green Development Program.

It is the Government policy to create an enabling environment for the private sector to grow and prosper, so as to achieve the government's objectives of employment generation, increased income and poverty alleviation. Secondly, Punjab Growth Strategy speaks that limited support exists for entrepreneurship, enterprise development and business development services. Schemes that will directly support MSMEs sector (Tanneries) to sustain and re-orient itself under new conditions. The project will lead to creation of enabling environment for industrial and economic growth in the province.

	In case of revised project indicate objective of the project if different from original PC-I.	N.A.
6.	<p><u>Description & Justification of Project</u></p> <ul style="list-style-type: none"> Describe the project and indicate existing facilities in the area and justify the establishment of the project. 	<p><u>BACK GROUND AND PROJECT DESCRIPTION</u></p> <p>Pakistan is an agro based Country and rich in livestock. The present government has introduced various livestock and dairy development programs which would ultimately result in availability of raw hides and skins in sufficient quantities to keep the tanneries running at optimum capacity as well as expansion of the tanning capacity.</p> <p>The leather industry of Pakistan occupies a place of prominence in our economy in view of its massive potential for employment, growth and exports. In fact, backed by a strong raw-material base and a large reservoir of traditionally skilled and competitive labour force, the Pakistan leather industry has made significant strides during the past two decades. Notable leather centres in Pakistan are at Karachi, Multan, Sheikhpura, Kasur, Lahore and Sialkot.</p> <p>There are 250 tanneries located in 10 different clusters, scattered all around Sialkot city and suburbs. These 250 tanneries of Sialkot are categorized as SMEs, while the products produced by these SMEs have potential to be exported to Europe and USA. Being SMEs they are unable to meet the international standards specially those of prevailing LWG, which are becoming more and more stringent with the passage of time. The main reasons for noncompliance are weak financials and not having technical knowledge.</p> <p>Meeting the international standards needs standard infrastructure, which is not possible to be extended to each tannery in scattered locations all around the city. The foremost and critical requirement for international trade and exporting leather goods is environmental and social compliance. The buyers anywhere in the world are now obligated by their own country's legislation to import goods from those manufacturers who possess internationally accredited certifications. This puts the sustainability of leather exports and foreign exchange earnings by Pakistan at stake, which is evident from the decline in exports in recent years.</p> <p>Tanneries use and pollute large quantities of water; fertile soil is being contaminated, as the toxic substances are used in the leather production. The inefficient water use in the tanneries forces farmers to minimize their irrigation efforts or to use the polluted water. None of the tanneries at Sialkot have an appropriate waste management facility and therefore the negative environmental effects are often neglected. Almost every year Sialkot faces floods, causing devastation and disruptions in daily life.</p>

Floods negatively affect the wellbeing of the population, the economic growth, and the social urgency for alleviating poverty prevailing in those affected areas. Furthermore, farm lands get contaminated by chemicals, untreated waste water and runoff from urban areas. Both national and regional concerns must be taken into consideration and, based on this, adequate solutions must be developed.

Relocation of the tanneries to a more spacious and customized location with appropriate infrastructure for efficient and cost-effective treatment of solid and liquid wastes has thus become a prerequisite for survival and growth of this vital export-oriented sector of the country's economy and for protecting the region's agriculture and health.

It is analyzed that the potential of value addition indicates if finished leather is converted into retail-ready leather goods, it has the potential to add approximately another USD 2-3 Billion to the Pakistan economy. It is also pertinent to mention here that overall worldwide leather market is about USD: 120 Billion and our neighbor countries like India and Bangladesh has already improved their growth in this sector by fulfilling the environmental and other international standards.

Seeing the deteriorating conditions of exports and environment condition of Sialkot, the tanners along with Sialkot Chamber of Commerce & Industries (SCCI) took the initiative and agreed that the best solution to enhance exports and to improve environment is to shift the tanneries out of the city, at a dedicated zone, where common environment improvement facilities like Common Effluent Treatment Plant, Chrome Recovery Plant, etc could be established. For the purpose, Sialkot Tanneries Association Guarantee Ltd. (STAGL) was formed. STAGL has taken up the assignment of establishment of Sialkot Tannery Zone (STZ). The Government of Punjab supported the idea and administratively & financially facilitated for acquisition of land.

Moreover United Nations Industrial Development Organization (UNIDO) also appreciated this idea and joined hands in the development of layout plan of Sialkot Tannery Zone. The whole idea was converted into project document by UNIDO for seeking the National & International technical & financial support.

UNIDO'S INVOLVEMENT IN THE PROJECT(STZ)

On the request of Sialkot Chamber of Commerce and Tanning Community of Sialkot, the UNIDO initially assisted in the development and finalization of Layout Plan of STZ. Moreover UNIDO pleaded the case of STAGL for arranging GEF Grant during 2013. Ultimately the GEF secretariat and Ministry of Climate Change on the request of STAGL agreed to take UNIDO as executing agency for Planning and Implementation of GEF

supported project.

STZ has been designed to cover the entire segments for successfully managing the industrial zone to comply the Eco Industrial Zone requirements for leather sector. STZ will do the sustainable transition of leather business in Sialkot from conventional to modern lines by focusing establishment of Common Effluent Treatment Plant, Resource Recovery & Reuse Management, Conservation of Resources, Product Quality Standardization, gender empowerment, Skills Development Facilities with target on enhancing Export Production and Socio-Economic uplift. These efforts are expected to build resilience of the community against climate change by including these strategies in the urban planning.

STZ will also assist local stakeholders with the provision of modern tannery designs, cleaner & sustainable leather production, training of their workforce by international experts and introduction of modern equipment.

Beneficiaries

1. The Tanning Community
2. Youth in particular females by providing fresh job opportunities in the industry.
3. Farmers with improved vegetation.
4. Livestock Business
5. Middle Management, Managers, Technicians and Technologists.
6. Chemical Industry & Chemical Suppliers
7. Local Engineering Industry
8. Academia and Research Institutes
9. Govt Agencies in terms of revenue generation i.e, taxes, import duties, etc.
10. Freight Forwarding & Cargo Sector

Most of the activities in STZ have been completed, some are in progress and few of them has not been started yet due to financial gaps. Hence government of the Punjab has step in to facilitate STZ in term of financial support to complete the pending activities and make the zone operational on immediate basis.

JUSTIFICATION OF THE SCHEME

(Sustainable industrial development in Punjab, Pakistan -56420-RECP South Asia (World Bank Report, 2019)

Despite substantial growth in recent decades, the industrial sector is yet to make its full contribution to Pakistan's development. On average, industrial value added has grown at almost 5 percent annually in real terms between 1998 and 2018, although its share in gross domestic product (GDP) is roughly equal in 2017 to what it was 50 years earlier, at about 18 percent (World Development indicators, World Bank). To date, the structural transformation of Pakistan's economy away from agriculture has mostly

benefited the services sector, which has been the main contributor to GDP growth in recent years. Several factors have undermined industrial productivity and growth, preventing the sector from reaching its full potential in terms of growth and job creation. These notably include constraints related to the macroeconomic framework, business environment, infrastructure, firm capacity, and skills, as well as environmental management.

Greening Pakistan's industry has become an imperative to minimize its adverse impacts on the environment and society, but also to sustain the sector's growth. As recently emphasized in the report 'Pakistan @ 100: Shaping the Future' (World Bank 2018a), growth in Pakistan is now jeopardized by the major environmental degradation it has contributed to. In particular, industrialization with limited consideration of the parallel growth of resource use, waste, and pollution have imposed mounting environmental and social costs. This is particularly true in large urban centers around which industries agglomerate, such as Lahore and Karachi. Industrial pollution has been one of the main causes of degrading water and air quality. These issues have been neglected for a long time, but there has been a renewed sense of urgency over the last few years, notably after the severe smog episodes that have affected major cities. Under growing pressure from citizens, the media, and courts to curb pollution, the Government of Punjab, the most affected province, has reaffirmed its commitment to do so and has adopted ambitious reform and investment plans. At the same time, poor environmental management has become a liability for Pakistan's industries, which notably undermines the competitiveness of export-oriented manufacturing sectors. Despite increased awareness, firms still often lack the incentives and capacity to improve their environmental performances.

A more comprehensive approach to industrial resource use and pollution management is needed in Pakistan. The focus of national and provincial authorities has traditionally been on industry compliance with reactive environmental regulations. This 'end-of-pipe' approach focuses on managing downstream releases of already-formed contaminants in the air, water, solid waste, and soil. While this is needed and should be strengthened, it is not enough. Complementary efforts to promote preventive approaches and to leverage industrial sustainability as a source of competitiveness also have a major role to play, which is currently underexploited. Such approaches include resource-efficient and cleaner production (RECP) at the firm level; inter industry solutions, such as industrial symbiosis (IS) and eco-industrial parks (EIPs); and the circular economy (CE) more broadly (Box 1). Despite several studies and promising pilot initiatives over the last two decades in Pakistan, and in Punjab in particular, little has been done so far to foster a systemic change to that effect. Focusing on Punjab and building on the recommendations of 'Pakistan @ 100' for clean growth, this report explores the opportunities

and constraints to promote sustainable industrial development, notably by mainstreaming preventive environmental approaches.

Background of Punjab's Industrial Sector

Punjab is Pakistan's most industrialized province and has ambitious plans to boost industrial output. Punjab represented nearly 60 percent of national industrial value added in 2015/16, up from 50 percent a decade earlier (PERI 2017). Its industry is dominated by manufacturing, which accounted for 76 percent of its value added in 2015/16, with major sectors including textile, leather, sugar, cement, pulp and paper, steel, automotive, agribusiness, pharmaceuticals, chemicals and fertilizers, bricks, machinery and equipment, surgical instruments, sport goods, and so on. A large majority (around 80 percent) of manufacturing value added comes from large-scale manufacturing (LSM). Small-scale manufacturing (SSM) has nonetheless been a dynamic source of growth over the last decade and makes up the vast majority of firms in Punjab. Moreover, official statistics are likely to underestimate the contribution of large numbers of informal small and medium enterprises (SMEs) in various sectors. Industrial value added in Punjab has grown rapidly over the last decade, owing to good performances in sectors such as automobiles, fertilizer, chemicals, iron and steel, pharmaceuticals, and leather. Private sector-led growth has been a key pillar of the Punjab Growth Strategy 2018, which included ambitious objectives in terms of private investment and exports (Government of Punjab 2015a). Government of the Punjab notably intends to foster a stronger and more stable contribution of the manufacturing sector to the province's economy.

The available evidence suggests that several key manufacturing sectors currently operate at low resource efficiency levels. Studies for Punjab, Pakistan, and South Asia have shown that firms in resource-intensive and polluting sectors, especially SMEs, tend to use materials, energy, and water inefficiently (IIP (2014), IFC (2016), World Bank (2018c), and CPI (2018). For instance, a recent report found that investments in more efficient technology and equipment could reduce the energy consumption of Pakistan's textile mills by 22 percent (2.4 million MWh) and save them over US\$60 million (IFC 2016). The same study also found significant energy/ water and cost-saving opportunities in the sugar, pulp and paper, and leather sectors. Firms in the textile and leather sectors, two of Pakistan's largest export industries, rarely use technologies to recover toxic chemicals and minimize their use. Dozens of small and medium steel foundries and rerolling mills operate near Punjab's cities with poorly designed furnaces, resulting in inefficient use of energy and raw materials (steel scraps from the shipbreaking and construction sectors). Punjab's large and mostly informal brickmaking sector is entirely made up of about 10,000 small-scale units.

Environmental management is decentralized in Pakistan, and provincial

authorities in Punjab are committed to improving their capacity to address environmental degradation. The 18th Constitutional Amendment, adopted in 2010, devolved the responsibility for environmental planning, pollution control, and pollution prevention to the provinces, which still have very limited capacity to carry out such responsibilities. In 2015, the Government of Punjab (GoP) adopted an Environment Policy laying out its vision and priorities for environmental management in the province. Since then, GoP has been under increasing pressure to curb the growing smog crisis, which has made national and international headlines, with citizens vocal on social media and presenting their cases in courts. To improve environmental governance and promote the sustainable development of its economy, GoP has requested the World Bank's support to address the environmental challenges facing the province.

Punjab Green Development Program (**PGDP**) has been designed in collaboration with World Bank Group. Under the proposed PGDP, the provincial authorities will step up their efforts to strengthen environmental management and mainstream green development. The scope and priorities of the Program, developed through extensive stakeholder consultations organized during Program preparation, include strengthening the technical and administrative capacity of the provincial Environmental Protection Department (**EPD**) and its Environmental Protection Agency (EPA) to provide better services to the population and the private sector, modernizing the legal and regulatory framework, and promoting investments in cleaner technologies at the provincial level to reduce air and water pollution releases from priority sectors.

Government of the Punjab has developed a broad program to address environmental issues and promote green development in Punjab in the short, medium, and long term. The objectives of this program is to improve environmental quality in the province and reduce air, soil, and water pollution; address deforestation, floods, and land degradation; manage surface water and groundwater resources; conserve natural resources and protect biodiversity; promote sustainable urbanization and industrialization; develop public transportation and other alternatives to private motorized vehicles; integrate environmental considerations in public policymaking and private investments; comply with international standards and enhance green competitiveness; and promote resource and energy efficiency. The EPD is the main department responsible for ensuring the implementation of these policies, in coordination with relevant line departments.

In 2017, the Government of Punjab (Government of the Punjab) requested the World Bank's support to foster green growth and address the serious environmental issues affecting the province, including increasingly severe annual smog episodes. The PGDP was prepared in FY18 to respond to this

request, with the program development objective (PDO) to strengthen environmental governance and promote green investments in Punjab. This Program-for-Result (PforR) operation, supported by a US\$200 million equivalent credit from the International Development Association (IDA), was approved by the World Bank's Board of Executive Directors on May 25, 2018 and became effective on May 29, 2018. Environment has been one of the top campaign issues of the present Government, hence, the new federal and provincial governments have maintained their full support for the PGDP and included the PGDP a key element of the national Clean Green Pakistan Program of the federal government and the Punjab Clean Air Action Plan of the provincial government.

Greening Pakistan's industry has become an imperative to minimize its adverse impacts on the environment and society, but also to sustain the sector's growth. Despite substantial growth in recent decades, the industrial sector is yet to make its full contribution to Pakistan's development. Limited consideration of the growing resource use, waste, and pollution that have accompanied industrialization has imposed mounting economic, environmental, and social costs. This is particularly true in large urban centers around which industries agglomerate, such as Lahore and Karachi. At the same time, poor environmental management has become a liability for Pakistan's industries, which notably undermines the competitiveness of export-oriented manufacturing sectors. The challenges posed by industries' lack of environmental sustainability jeopardize Pakistan's development and are expected to worsen under a business-as-usual scenario.

There is substantial scope to generate economic, social and environmental gains in Pakistan by promoting a more sustainable industrial development pathway. **World Bank Group's report on sustainable industrial development in Punjab –Pakistan (June, 2019)** focuses on the industrial province of Punjab that is home to over half of the country's population. It argues that there are significant unexploited opportunities to reduce industries' footprint, while improving their competitiveness, notably through firm-level investments in resource-efficient and cleaner production (RECP), green investments in industrial estates, and the promotion of industrial symbiosis and resource circularity. Despite increased awareness, firms still often lack the incentives and capacity to improve their environmental performances. Government support will therefore be required to tackle the various capacity constraints and market failures that have prevented this evolution from occurring on its own.

Pollution has become a major public health hazard, with both social and economic impacts. Degrading ambient air and water quality has dire consequences for Punjab's citizens, especially vulnerable population categories (e.g., the poor, children, pregnant women, and the elderly). (Pakistan ranked 177 out of 180 countries for environmental health on Yale's 2018 Environmental Performance Index's (Air quality, water and

sanitation, and exposure to heavy metals (, ahead of only India, Nepal and Bangladesh). Pollution is estimated to cause around 340,000 deaths per year in Pakistan, over 70 percent of which are due to air pollution (Landrigan et al. 2017). (see <https://www.pollution.org> for country-level data). This represents a quarter of total annual deaths in the country, making Pakistan one of the world’s most affected countries. Polluting production processes also cause high occupational health and safety (OH&S) risks for workers, for instance in the **brick sector** where they are exposed to extremely high SPM and toxic chemical levels, and thus at an increased risk of cancer, acute and chronic respiratory disease, and potentially anemia (World Bank 2018c). Finally, pollution negatively influences current and future labour productivity, as well as labor force participation, by causing diseases and affecting cognitive abilities.

Provide technical parameter that is input & output of the project in quantitative terms. Also discuss the technology aspect of the project.

Industries are a major source of air, water, and soil pollution in Punjab and in many cases exceed applicable provincial environmental standards and good international industry practices. Following classification of Punjab Industrial Sector based on the average unit’s pollution load and number of units in the province shows that a dozen sectors can be considered as heaving highly adverse environmental impacts;

	Approximately Units	Pollution Level			Density	Environmental Impact	
		Water	Air	Hazardous Waste			
Large Size	Sugar	46	H	M	M	H	
	Cement	13	L	H	L	M	
	Fertilizer	6	H	M	M	L	
	Industrial chemicals	7	H	M	M	L	
	Automobiles	4	M	M	M	L	
	Petroleum refinery	2	L	M	M	L	
Small and medium size	Dairy	91	H	M	L	H	
	Oil and ghee	54	H	M	M	M	
	Textile processing	400	H	M	L	M	
	Beverages	30	H	L	L	M	
	Tanning	250 (in Sialkot)	H	L	M	M	H
	Steel melting	182	L	H	L	H	H
	Marble cutting	>300	L	H	L	H	H
	Brick kilns	>10,000	L	H	L	H	H
	Stone crushing	>650	L	H	L	H	H
	Pulp and paper	28	H	M	M	L	M
	Paint	26	H	L	M	L	M
	Pesticide	10	L	L	H	L	M
	Pharmaceuticals	93	M	L	M	H	L
Fruit /vegetable processing		L	L	L	L	L	

In 2017-2018, STAGL approached Govt. of Punjab through Environment Protection Department to request for technical & financial assistance for the project. In this context, the Govt. of Punjab routed the request of STAGL through World Bank supported program called “Punjab Green Development Program”. STAGL submitted its first proposal to World Bank on 2nd January 2018, and after having various meetings with stake holders’ i.e World Bank & EPD, finally World Bank found STZ project and STAGL’s proposal in accordance with their program mandate and included in PGDP.

During the PGDP preparation, Bricks and Leather sectors has been identified as priority sectors. It has been further been elaborated in program appraisal document (PAD) that Leather is Pakistan’s second-largest export industry; this sector employs between 500,000 and 1 million workers and is a major source of water use and pollution. Its inability to comply with international buyers’ environmental and social standards has become a significant threat to competitiveness, contributing to a recent decline in exports. Program support for RECP technologies will help the sector improve its compliance. In the leather sector, the Program will also support an initiative to relocate polluting tanneries in the city of Sialkot to a dedicated industrial estate. Sialkot is one of three tannery centers in Punjab. Its 250 tanneries (about one-third of the tanneries in the country) are operating in 10 clusters in the city with very limited wastewater treatment and are thus polluting the groundwater. Under the Program, GoPunjab will support the industry-led Sialkot Tannery Zone (STZ) project by financing the construction of (a) a grid connection station, (b) the zone’s wastewater collection system, (c) a training center with a focus on RECP technologies and OHS, and (d) financial incentives for tanners to transfer their production to STZ. In addition, individual tanners will have opportunities to access the Program’s RECP pilot/demonstration scheme if they are eligible. All Sialkot tanners receiving Program support will commit to achieve full environmental compliance after the completion of their RECP investments. Sialkot Tannery Zone is planned to be a state of the art modern tannery zone for commercial purposes along with the all basic and advanced necessities required for a standardized commodity of the region by curtailing the impacts on environment and to achieve the goal of sustainable development. STZ envisages the construction of Tannery units along with the development of infrastructure like roads, effluent & drainage system, electricity, gas, telephone and water supply system. The facilities to be provided at the Tannery Zone include mainly WTO, environmental compliance office, STA office, mosque, bank, restaurant, technical training facilities, green areas and treatment facilities etc. Different organizations / departments are contributing administratively and financially to complete this project. It is anticipated that the provision of electricity / Gas in STZ, establishment of Chrome Recovery Plant and credit facility on soft terms will help tanneries to shift to STZ. At present, STZ is facing financial gaps and unable to complete certain components.

DELIBERATIONS ABOUT THE SCHEME

A meeting, to discuss the scope / contours of the scheme was held under the Chairmanship of Managing Director, PSIC on **10.07.2020** in Committee Room, PSIC, Head Office, Lahore at 1st Floor, Al-Falah Building, the Mall, Lahore. All stakeholders including CEO, STAGL, President, STAGL and Project Director, STZ attended the meeting. (Minutes are at **Annexure-IV**).

Project Director, STZ gave detailed presentation about the project. After , due deliberation, following decisions were taken:

- 1) STAGL will get confirmation about the validity of demand notice already issued by GEPCO for the establishment of grid station and matters incidental thereto and negotiate with GEPCO regarding payment against demand notice in yearly installments in accordance with the allocation of funds given in ADP 2020-21.
- 2) Through the captioned ADP scheme, PSIC will pay the amount against demand notice as per agreed terms to GEPCO for establishment of Grid stations in STZ to ensure availability of electricity in STZ within 18-months to meet the requirements of industry / tanneries.
- 3) Moreover, payment to SNGPL by PSIC against the demand notice, to be issued by STAGL, would also be made under captioned ADP scheme so that Gas pipe line could be brought at the gate of STZ. STAGL will get the demand notice issued by SNGPL and mode of payment in installments at the earliest.
- 4) STAGL will also ensure to the Government of the Punjab that all the expenses on account of internal gas pipe line within the STZ premises will be borne by STZ members and start execution of work immediately, once payment is made to SNGPL by Government of the Punjab under this scheme.
- 5) There should be parallel shifting of tanneries to STZ and STAGL will ensure construction/shifting of 80% unit i-e 200 Nos. in STZ by the end of **June, 2022** for which they also agreed in the meeting.
- 6) Tanneries if required any support for shifting, may utilize facility of loaning by PSIC on nominal rates.

Subsequently, Chief Executive Officer, STAGL vide letter No. STAGL/07/2020/667, dated 28.07.2020 (**Annexure-V**) informed Chief WTO, ICI&SD Department that keeping in the view the successful implementation of the project, the STAGL's Board of Directors has prioritized the remaining activities for which financial assistance is required which are given here under:

Sr. NO	Project Component	Completion Status	Financial Gap (Rs in Million)
1	Establishment of Grid Station	September, 2022	200
2	Provision of Natural Gas to the STZ	October, 2021	100
3	Construction of the remaining portion of the STZ Internal Road Networks	June, 2021	310

4	Establishment of the Chrome Recovery Unit	September, 2021	40
5	Establishment of Common Facility cum Training centre (CFC)	December, 2021	100

Chief Executive Officer, STAGL vide letter No. STAGL/08/2020/671, dated 07.08.2020 (**Annexure-VI**) again shared a priority list of STZ project components requiring financial assistance and detail of funding contribution from different project partners which shows the financial gaps as mentioned above, besides another financial gap amounting to **Rs 250.00 million** for the component “Implementation of the Cleaner Protection Practices for facilitation of REACH Directive / Leather Working Group protocols.

Chief Executive Officer, STAGL vide letter No. STAGL/08/2020/676, dated 20.08.2020 (**Annexure-VII**), proposed that for the year 2020-21 , PSIC may approve the funds for the provision of Natural Gas to the STZ (external from Sambrial Chowk to STZ) amounting to **Rs. 100 million** (cost estimation / demand notice issued by SNGPL dated 30.01.2020 provided) whereas provision of funds for establishment of Grid Station **Rs. 200.00 million** and provision of soft loan for the relocation of tanneries may be covered in next financial year **2021-22** so that STZ project could achieve the devised objectives that is social and environmental compliances and to enhance the exports of leather sector.

Draft PC-I of the scheme was prepared and shared with World Bank team and Environment Protection Department, GoPb. Comments/feedback from both sides were received and necessary amendments were made in PC-I accordingly.

Another meeting was held in PSIC Head Office, Lahore under the Chairmanship of Managing Director, PSIC on **09.11.2020** duly attended by Project Director, Sialkot Tannery Zone and Chief Executive Officer, STAGL in which draft PC-I of the scheme and comments of World Bank & Environment Protection Department, GoPb were shared with them. After detailed discussion, it was unanimously agreed that it is necessary to demand funds for establishment of Grid Station and External Sui Gas Pipeline during the current financial year 2020-21 as world Bank has rightly pointed out to begin both activities simultaneously. CEO, STAGL suggested that funds for the Common Chrome Recovery Plant may also be provided during current financial year 2020-21. It was also decided to use term “**Relocation and Cleaner Production Loan (RCPL)**” instead of the term “**Pollution Abatement Loan (PAL)**”. Project Director, STZ apprised that minimum size of plot at STZ is one Kanal and construction of build as per mandatory construction by-laws of STZ (duly approved by STAGL) on the plot to ensure cleaner production practices will involve more than 10.00 Million, hence Government may enhance loan limit upto Rs. 3.00 Million.

It was also recommended that tanners, having plot sizes 01 kanal to 04 kanal, should only be considered for interest free loan which was agreed by the Chair. He also informed that tanners have started to apply for electricity connections so that they could start construction activities at site. After discussions, it was also decided that maximum loan limit will be extended upto Rs. 2.50 Million so as to provide financial support to the tanners to relocate their tanneries to STZ and adopt cleaner production methods/ practices to meet environmental compliances / standards. While responding to a query of Managing Director, PSIC, Project Director, STZ also stated that Environment Impact Assessment (EIA) of complete STZ project and EIA of Common Effluent Treatment Plant has been already conducted and NOCs were given by Punjab Environment Production Development. Moreover, STZ is established for only one type of Industry i.e Tannery Units, Hence there is no need of separate / individual EIAs of each tannery units. The matter has been discussed with Punjab Environment Protection Department and as per verbal commitment from Department, they agreed on it. STAGL will further pursue this matter with EPD. CEO, STAGL also requested for provision of funds of Rs. 100.00 Million for establishment of Common Training cum Facility Centre (Machinery & Equipment) through PGDP, however, it was not considered due to shortage of Funds under the scheme. Moreover, different observations/issues were shared with CEO, STAGL and Project Director, STZ during the meeting with regard to loaning mechanism under the scheme and status of incomplete components of STZ. CEO, STAGL sent a formal response / remarks vide letter No. Ref/STAGL/ 11/ 2020/712, dated **12.11.2020 (Annexure-VIII)** through the following information / comments:

- i) Detail of scheme components , estimated cost, funding arrangements and remarks including financial gaps in STZ (**Annexure-IX**)
- ii) Mandatory Instructions for tanners in construction by-Laws of Sialkot Tannery Zone (**Annexure-X**)
- iii) Current Status of completed / ongoing / pending activities. (**Annexure-XI**)
- iv) Work Plan for completion of incomplete activities in STZ. (**Annexure-XII**)

The PC-I has been prepared and finalized, after due deliberations amongst the stakeholders and in consultation with STAGL/STZ and inputs provided by them.

FEATURES OF THE SCHEME

Under this scheme, relocation of tannery units to Sialkot Tannery Zone and financial support to Sialkot Tannery Zone for its operationalization at the earliest, would be made through the following manner/components:

1. Payment of **Rs 100.00 Million** by PSIC to SNGPL against the demand notice for the supply of Natural Gas to STZ (external

from Sambrial chowk to STZ gate). (Amount of demand notice over and above to Rs 100.00 Million will paid by STAGL)

2. Payment of **Rs 200.00 Million** (Maximum) by PSIC to GEPCO against the demand notice for the establishment of grid station (21 MW) to be issued by GEPCO. (Amount of demand notice over and above to Rs 200.00 Million will paid by STAGL)
3. Financial support of **Rs 40.00 Million** to STZ for establishment of Chrome Recovery Plant to cover the financial gap in funding provided by the EDF (Federal Government) to STZ. All the matters, pertaining to contract / procurements etc as per rules/ policy in this regard, would be the responsibility of STAGL/STZ. (Amount for the purpose over and above to **Rs 40.00 Million** will borne/paid by STAGL)
4. Relocation and Cleaner Production Loan (**RCPL**) to Tanners on account of Relocation to STZ with the funds of **Rs 158.00 Million** (approximately)

Note:- Funds against the above first three activities are being demanded in current financial year 2020-21 in light of request of STAGL (**Annexure-IX**) as well as recommendations of World Bank team. Payment to SNGPL, GEPCO and STZ/STAGL for supply of Natural Gas (external from Sambrial Chowk to STZ site) to STZ, establishment of grid station at STZ and establishment of Chrome Recovery Plant at STZ, respectively will be considered as one time grant for operationalization of STZ.

Eligibility Criteria of applicant to obtain Relocation and Cleaner Production Loan (RCPL)

1. Loan will be given on first come first serve basis subject to availability of funds under the scheme/sector for the purpose.
2. Existing tanners of Sialkot, who possess plots of size **01 Kanal to 04 Kanal** in STZ, would be eligible to obtain loan under this scheme for construction of tannery in STZ
3. Tanner would be eligible for obtaining loan facility against only one plot in STZ. If one possesses more than one plot, then he will not be eligible to obtain loan against second plot.
4. Applicant will provide following documents / information along with application form:
 - i) Copy of valid CNIC (For the purpose NADRA link would be used for verification)
 - ii) Applicant should not be defaulter of any financial institution / Bank (Clean e-CIB)
 - iii) Cost estimates of construction of tannery in STZ
 - iv) Work schedule clearly indicating time line
Having clear proof of ownership and possession of tannery at his name (ownership here means whether tannery established at his own land or in the building acquired by him on rental basis; in either case he is entitled for obtaining loan under the scheme if he is running tannery and possesses a plot in STZ).

v) An affidavit on Stamp paper, that he has not obtained any loan from any public organization / Bank etc on account of relocation of his tannery to STZ and ready to transfer/mortgage project land /building with the name of PSIC till completion/settlement of loan.

5. Certificate by STAGL that applicant is running a tannery in Sialkot and contents and conduct of the applicant true as per his/her track record. Moreover, original property/Plot documents are available with STAGL/STZ
6. Building plan including tannery architectural plan duly approved by STAGL/STZ
7. Documentary proof of ownership of plot in STZ and plot & development dues clearance certificate from STAGL
8. Affidavit from the tanners that (i) remedial measures would be taken and previous site would be decontaminated and (ii) tanners will install resource efficient cleaner production technologies.

Note: Program Action Plan (PAP) includes that tanners will develop environmental management plans (EMPs) for reclamation of their closed sites which may/will be reviewed by EPD. This is legally bound on the government as it is reflected in Program Agreement. Therefore, a mechanism will be developed whereby tanners will develop and implement environmental management plans. Furthermore, tanners must commit/agree to manage its current sites as per the requirement of the to-be-developed EMPs for their sites. Industries Department is required to notify about the approval of EMPs three months prior to relocation to STZ. All this is reflected in PAD. (Added in light of comments of WB).

FEATURE/PARAMETERS OF THE LOANING SCHEME

Maximum Loan Limit	Rs 2,500,000/-
Interest Rate	0%
Service charges	2% of the loan amount to be deposited by the applicant immediately after sanction but before disbursement of loan amount.
Grace period	Six months. Grace period will start immediately after disbursement of loan.
Pay-back period	Upto 3-years after grace period of six months and recovery will be made in 18 equal installments.
Disbursement of Loan	The eligible candidate in this category may apply for Relocation and Cleaner Production Loan (RCPL) that will be disbursed to him only after completion of tannery structure up to foundations and walls before lintel (roof of first floor) as per building plan.
Penalty	Rs 5000 per month per installment will be charged as penalty in case of nonpayment of installment(s) or non-payment of installment within due date. 5-Days late payment from the due date of the payment of installment as per payment schedule will be considered as grace period after

	<ul style="list-style-type: none"> • Provide detail of civil works, equipment, machinery and other physical facilities required for the project • Indicate the governance issues of the sector relevant to the project and strategy to resolve them. 	<p>which full penalty per month per every late installment will be charged.</p> <p>Collateral</p> <p>The loan shall be disbursed only after transfer / mortgage project land /building in STZ with the name of PSIC till completion/settlement of loan along with guarantee of the STAGL. The net worth of the land/building of the plot in STZ should be at least 1.5 times of the loan amount. However, if applicant offers any other asset / immoveable property (Domestic or commercial) as collateral to meet the requirement of 1.5 times the loan amount then it will also be mortgaged.</p> <p>Expenditure to this effect shall also be borne by the applicant.</p> <p>Criteria:</p> <p>Net Worth may be in the form of Tangible Asset i.e Property ownership and may be assessed as follows:</p> <p>a) Property may be valued at DC rate</p> <p style="text-align: center;">OR</p> <p>b) Property valuation may be established from Wealth Tax statement</p> <p style="text-align: center;">OR</p> <p>c) Evaluation by Pakistan Banks Association (PBA) approved evaluator/agent</p> <p>In either case, evidence of net worth will be provided by the applicant in any of the above forms as per his/her discretion.</p> <p>As per Annexure-III.</p> <p>Governance issues, if arise during execution of the scheme, will be settled / resolved by the Project Coordination Committee.</p>	
7.	<p><u>Capital Cost Estimate</u></p> <ul style="list-style-type: none"> • Indicate date of estimation of project cost 	November, 2020	

	<p>estimates.</p> <ul style="list-style-type: none"> • Basis of determining the capital cost be provided. It includes market survey, schedule rates, estimation on the basis of previous work done etc. • Provide year-wise estimation of physical activities as per following. 	<p>STZ/STAGL has informed that demand notice from GEPCO has been issued whereas estimates for supply of natural Gas by SNGPL have also been provided. The estimated amount provided by GEPCO and SNGPL may rise if immediate payment to quarter concerned is not made. In case of rise in cost of demand notices (Sui Gas & Grid Station) due to any reason, STAGL will pay the difference.</p> <p>The breakup of cost is available at Annex-I</p>
8.	<p><u>Annual Operating</u> Item-wise annual operating cost based on proposed capacity utilization for 5 years.</p>	<p>Details are available at Annexures-I, II, III</p>
9.	<p><u>Demand and supply analysis</u></p> <ul style="list-style-type: none"> • Description of product / services 	<p>One major step in addressing the problem of about 250 (scattered) tanneries that they do not have appropriate environmental facilities in place, is the construction of a concentrated tannery zone, i.e. the Sialkot Tannery Zone (STZ) in Sialkot and with it, the establishment of a CETP and common waste management system. This intervention is intended to contribute towards the greening of the leather production system in Pakistan to ultimately satisfy the prerequisites for the survival and growth of this export-oriented sector, which is vital for Pakistan's economy and for conserving the region's agricultural land. The scheme will facilitate STZ to complete its infrastructure. The project would help in shifting tanneries located in and around the city to a centralized location to reduce environmental degradation, to allow improvement of infrastructure facilities in the city after re-location of existing tanneries, to reduce use of water, chemicals & waste in tanning process through introduction of cleaner production techniques, to provide common facilities like effluent treatment plant, chrome recovery plant, integrated solid waste management, training centers, etc. to improve health facilities of tannery workers and mainstreaming climate change adaptation and gender equality into urban and rural development planning.</p>

<ul style="list-style-type: none"> • Demand / Supply along with unit price for the last 5 – years. • Imports/Exports for the last five years along with unit price (if applicable). 	<p>N.A</p> <p>It is analyzed that the potential of value addition indicates if finished leather is converted into retail ready leather goods, it has the potential to add approximately another USD 2-3 Billion to the Pakistan economy. It is also pertinent to mention here that overall worldwide leather market is about USD: 123 Billion and our neighbor countries like India and Bangladesh has already improved their growth in this sector by fulfilling the environmental and other international standards. This potential may be exploited only through adopting compliance standards.</p> <p>STZ project has been designed to cover the entire segments for successfully managing the industrial zone to comply the Eco Industrial Zone requirements for leather sector.</p> <p>The core objective of STZ project is sustainable transition of leather business in Sialkot form conventional to modern lines by focusing establishment of Common Effluent Treatment Plant, Resource Recovery & Reuse Management, Conservation of Resources, Product Quality Standardization, gender empowerment, Skills Development Facilities with target on enhancing Export Production and Socio-Economic uplift.</p> <p>STZ project will also assist local stakeholders with the provision of modern tannery designs, cleaner & sustainable leather production, training of their workforce by international experts and introduction of modern equipment. This scheme will be helpful for STZ and other stakeholders to achieve their objectives. The completion of project of STZ will definitely lead to rise in exports through enabling the leather products manufacturers to meet the international environmental LWG protocols / REACH directive</p>
<ul style="list-style-type: none"> • Projected demand /supply for 10-years. 	<p>N.A</p>
<ul style="list-style-type: none"> • Proposed year-wise production and unit price of the product. 	<p>N.A</p>
<ul style="list-style-type: none"> • Existing and proposed arrangements for marketing 	<p>PSIC and Sialkot Tannery Zone will market the scheme together through direct contacting with the existing Tanneries, holding seminars and promotional activities</p>

<p>10</p>	<p><u>Financial plan</u></p> <p><u>Sources</u> _____ of <u>Financing</u></p> <p>(a) <u>Grant</u>: Indicate the amount of equity to be financed from each source</p> <ul style="list-style-type: none"> • Sponsor’s own resources. • Federal Government. • Provincial Government. • DFI’s / Banks. • General public. • Foreign Equity (indicate partner agency) • NGO’s / Beneficiaries • Others <p>(b) <u>Debt</u> Indicate the local & foreign debt, interest rate, and grace period and repayment period for each loan separately. The loan repayment schedule be also annexed.</p> <p>(c) Grants alongwith sources</p> <p>(d) Weighted Cost of Capital.</p>	<p>N.A</p> <p>N.A</p> <p>PKR 500.00 Million from Provincial ADP 2020-21 to 2021-22.</p> <p>N.A</p> <p>N.A</p> <p>N.A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
<p>11</p>	<p><u>Benefits of the project</u></p> <ul style="list-style-type: none"> • Financial. (Income to the project along with assumptions) 	<p><u>Benefits of the Scheme</u></p> <p>The scheme is of development nature through which funds will be provided for provision of electricity and Sui Gas in STZ directly to GEPCO and SNGPL by PSIC and provision of funds to STZ for completion of</p>

	<ul style="list-style-type: none"> • Economic. (benefit to the economy along with assumptions) • Social (Benefits with indicators) • Employment generation (direct and indirect). • Clean Development Mechanism (CDM) Assessment. • Environmental impact • Impact of delays on project cost and viability. 	<p>establishment of common chrome recovery plant in STZ. Besides, interest free loaning facility would be provided to scattered tanneries of the Sialkot enabling them to shift in an organized place (STZ) through construction of their own tanneries. However, service charges / bank profit under the scheme will be earned and used to meet the operational expense of the corporation / scheme.</p> <p>The project shall address the prevailing challenges of SMEs like access to finance. About 250 tanneries will be accommodated through this scheme through operationalization of STZ which after shifting to STZ will enable to meet environmental compliances resulting into market their products locally / internationally.</p> <p>However, following are the major expected outcomes of the project;</p> <ul style="list-style-type: none"> • About 250 Tanneries will be facilitated / developed. • Existing labor which almost 10000 Nos. working in the tanneries would be facilitated and saved from the harmful effects of industrial wastes. • Poverty alleviation. • Economic and Social Development. • Financial Stability. • Rise in export • Industrial Growth. <p>Health issue of tanneries workers and surrounding areas would be settled to a significant level. Water pollution will be reduced.</p> <p>STZ is of the view that upon completion of the project, at least 25% more labor would be required and new employment opportunities would be created.</p> <p>Clean Development Mechanism will be encouraged.</p> <p>Positive impact / externalities on environment will be ensured.</p> <p>Price escalation may impact cost of the project on account of delays.</p>
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<p>12</p>	<p><u>Implementation Schedule.</u></p> <ul style="list-style-type: none"> • Indicate starting & completion date of project. • Item wise / year wise implementation schedule in line chart co related into phasing of activities. 	<p>July, 2020 to June, 2024.</p> <p>Implementation of the scheme will be started after issuance of administrative approval of PC-I and thereafter release of funds. The total funds under the scheme have been demanded within two years i.e. in 2020-21 and 2021-22. The funds allocated for Relocation and Cleaner Production loan to tanners for relocating their tanneries to STZ will be used on revolving basis upto June, 2024 to provide continuous support to tanneries of Sialkot for their relocation to STZ. The scheme is to be implemented through PDU being formulated under the scheme titled “ Pilot/ Demonstration Resource Efficiency & Cleaner Production Investments in Key Industrial Sectors (PGDP / DLI-7)” which will remain continue upto June, 2024. The project will be completed on 30.06.2024.</p> <p>Implementation schedule is at Annex-XV.</p>
<p>13</p>	<p><u>Management Structure and Manpower Requirements</u></p> <ul style="list-style-type: none"> • Administrative arrangements for implementation of projects. 	<p>Scheme will be implemented by Punjab Small Industries Corporation with the support of Sialkot Tanneries Zone (STZ) and STAGL. Scheme will be run through Program Delivery Unit (PDU) to be established under the ADP scheme titled “Pilot/Demonstration Resource Efficiency & Cleaner Production Investments in key Industrial Sectors” with the support of Regional Office, PSIC Gujranwala and DDO/SIE, Sialkot under the supervision and control of Directorate of Estate Management, PSIC(with reference to components mentioned in features of the scheme at Sr.No. 1 , 2 and 3 at Page-18&19) and Directorate of Credit & Marketing, PSIC (with reference to component mentioned in features of the scheme at Sr.No. 4 at Page-19). (Detail of PDU Human Resource is attached at Annexure-XIII). A formal MOU (to be prepared by PDU and approved by Managing Director, PSIC) will be signed by PSIC with STAGL to implement the scheme smoothly and successfully. PDU will thoroughly examine Program Appraisal Document (PAD) of World Bank for PGDP & Restructuring Paper on proposed program restructuring of PGDP and ensure completion of all activities and take necessary actions required to achieve the targets of DLI-7 (Annexure-XIV) included relevant results areas, verification protocols and program action plan etc. All necessary actions / steps to be taken required to complete DLI-7 will be decided / approved by Project Steering Committee on the basis of recommendations of PDU/Project Coordination Committee. Online portal / database etc will be developed from PITB.</p>

A separate account(s) of the scheme will be opened and maintained. Director (F&A), PSIC and Director (EM) PSIC shall be co-signatory of the bank account(s) of the scheme and responsible for maintenance and operations of Bank Account(s). All the payments in the scheme would be made through cross cheque only. For all administrative and financial matters, Regional Director, Gujranwala / Director (A&C) / Director (C&M)/Director (EM) / DMD / MD, PSIC will be authorized to decide the issues as per PSIC Delegation of Administrative & Financial Powers unless prescribed in this PC-I. Directorate of F&A, PSIC will issue accounting instructions for maintenance of account(s) of the scheme. Directorate of C&M, PSIC will prepare and issue operational manual of the scheme upto the extent of loan component of the scheme in light of the board parameters defined in this PC-I including detailed recovery mechanism with the approval of Managing Director, PSIC. Directorate of C&M and Directorate of Estate Management will monitor the scheme with the support of PDU.

MAJOR FUNCTIONS OF THE PROGRAM DELIVERY UNIT (PDU)

- i. To coordinate with STZ/STAGL and PSIC Regional Office, Gujranwala and perform all functions with reference to the activities pertaining to supply of Natural Gas to STZ, establishment of grid station at STZ and establishment of Chrome Recovery Plant at STZ, as per detail mentioned at Sr. 1, 2 and 3 of the features of the scheme at Page-18 & 19 of this PC-I.
- ii. To get the approval from Managing Director, PSIC for payment to SNGPL, GEPCO and STZ/STAGL for supply of Natural Gas to STZ, establishment of grid station at STZ and establishment of Chrome Recovery Plant at STZ, respectively and convey the sanctions to Directorate of F&A under intimation to Directorate of C&M subject to completion of all codal formalities and after due application of mind.
- iii. To maintain close liaison and follow-up with STZ/STAGL for timely and successfully completion of the above activities and obtain confirmation from STAGL / STZ regarding completion of the above activities.
- iv. To carry out the relevant activities mentioned in the Basic operational mechanism of the scheme given at **Page-29**.
- v. Awareness campaign and marketing of the scheme in association with Regional Office, Gujranwala and Sialkot Tannery Zone/STAGL.
- vi. To issue operational manual of the scheme up to the extent of Loan Component in light of the broad parameters defined in this PC-I.
- vii. To develop loan application form and other documents preferably in consultation with STAGL/STZ and EPD, required to be attached with application form for applying loan.
- viii. Development of software(s) and online portal/database from PITB

required to implement the scheme.

- ix. To develop and maintain data bank comprising the details of loaning under the scheme in collaboration with STAGL/STZ.
- x. To monitor the disbursement and recovery of loans by Regional Office, Gujranwala and gather necessary reports for the information of PSIC Management / Government of the Punjab.
- xi. Developments of action plans and take measures to implement the scheme.
- xii. Follow-up meetings / sessions for implementation of the decisions of the Steering Committee and achievement of targets
- xiii. To review the progress of the scheme and ensure completion of targets of DLI-7.
- xiv. To make arrangements for holding Project Coordination Committee and Steering committee meeting from time to time.
- xv. To present progress report of the scheme before PSIC Board of members and other forums as and when desired by the PSIC Management and placing the directions/policy decisions passed by the Board before Steering committee of the scheme for consideration / formal approval and implementation.
- xvi. Any other task assigned by the PSIC Management to make the scheme as success.
- xvii. To carry out the relevant activities mentioned in the Basic operational mechanism of the scheme given at **Page-29**.

MAJOR FUNCTIONS OF THE REGIONAL OFFICE, PSIC, GUJRWANWALA / DDO/SIE, SIALKOT

- ❖ To receive loan applications from the borrowers
- ❖ To get complete documentation from the borrowers with the help of STAGL / Sialkot Tannery Zone
- ❖ To forward the case to PDU for placing the same before loan sanctioning committee
- ❖ After issuance of approval letter from PDU , to issue sanction letter
- ❖ Disbursement of loan after completing codal formalities / legal documentation and fulfilling the conditions prescribed in the PC-I
- ❖ Recovery of loan and other outstanding dues from the borrower
- ❖ To maintain complete record of loan cases at DDO / Regional Office
- ❖ To provide complete information and status of recovery to PDU at PSIC Head Office on monthly basis or as and when demanded.
- ❖ To have a liaison with Sialkot Tannery Zone and all other stakeholders to make the scheme as success.
- ❖ To carry out the relevant activities mentioned in the Basic operational mechanism of the scheme given at **Page-29**.

Basic Operational Mechanism of the Scheme:

- i) Separate bank account(s) of the scheme will be opened. The annual account(s) will be maintained at Dte of F&A, PSIC as per International Accounting Standards (IAS) as applicable in Pakistan and will be audited by Internal Audit , Commercial Audit and Chartered Accountant Firm etc. Funds released from Finance Department in the scheme will be transferred from MD's SDA to the account of the scheme directly. Director (F&A), PSIC and Director (Estate Management), PSIC shall be co-signatories of the bank account and responsible for maintenance and operations of Bank Account(s). Bank profit / service charges / revenue earned under this project will be utilized for the operational expenses of the scheme/Corporation. Expenditure with regard to NADRA verification and e-CIB check charges will be debited to/met from services charges to be received from the borrower(s). Separate disbursement and recovery account of the scheme will maintained at Regional Office, Gujranwala. In that case, concerned Regional Director and Deputy Director (A/cs) / In-charge account unit will be the co-signatories of the account(s) and responsible for maintenance and operations of Bank Account(s). Directorate of F&A, PSIC will issue accounting instructions for maintenance of account(s) of the scheme. Funds of the scheme will not be used for the purpose other than mentioned in the PC-I.
- ii) STZ/STAGL will vigorously follow up the matters regarding establishment of Grid Station and supply of Natural Gas (external pipe line) with the concerned Departments i.e GEPCO and SNGPL and keep informed PSIC/PDU about the latest progress of the mattes. STZ / STAGL will take such measures and necessary actions to ensure timely completion of the said activities and avoid any delay in operationalization of STZ.
- iii) PDU will maintain a close liaison with STZ/STAGL and Regional Office, Gujranwala and ensure timely completion of activities including supply of Natural Gas to STZ, establishment of grid station at STZ and establishment of Chrome Recovery Plant at STZ, as per detail mentioned at Sr. 1, 2 and 3 of the features of the scheme at page-18&19 of this PC-I.
- iv) PDU will obtain approval from Managing Director, PSIC for payment to SNGPL, GEPCO and STZ for supply of Natural Gas to STZ, establishment of grid station at STZ and establishment of Chrome Recovery Plant at STZ, respectively and convey the sanctions to Directorate of F&A under intimation to Directorate of C&M subject to completion of all codal formalities and after due application of mind.
- v) Loan applications along with requisite documents will be received in Regional Office, Gujranwala/DDO, SIE, Sialkot.

- vi) Facilitation to borrowers will be provided at Regional office, Gujranwala and/or at SIE, Sialkot level in term of advisory services for submitting applications
- vii) Loan applications will be primarily scrutinized in accordance with eligibility criteria of applicants given in PC-I by Regional Office, Gujranwala / DDO/SIE, Sialkot, to be elaborated in Operational Manual.
- viii) Building plan including tannery architectural plan along with other documents submitted by the borrower would also be verified by Sialkot Tannery Zone by Regional Office, Gujranwala / DDO/SIE Sialkot
- ix) After carrying out due verifications, complete applications will be forward to PDU along with verification report.
- x) PDU through Directorate of C&M, PSIC will place the case before loan sanctioning committee and issue approval/rejection letter to Regional Director, Gujranwala and other concerned
- xi) Regional Director, Gujranwala will issue sanction letter to the applicant
- xii) Rejection of the application will not bar the applicant from re-applying for the loan. Applicant so rejected may submit fresh application only once with a new application
- xiii) Regional Director, Gujranwala will complete all legal / codal formalities and then make disbursement of loan to the applicant. Disbursement of RCP loan to applicant will only be made after completion of tannery structure up to foundations and walls before lintel (roof of first floor) as per building plan by the applicant.
- xiv) Recovery of loan from the borrower by Regional Office, Gujranwala / DDO/SIE, Sialkot.
- xv) Regional Office, Gujranwala / DDO/SIE, Sialkot will submit progress reports and status of recovery to PDU and Dte of C&M, PSIC on monthly basis or as and when required
- xvi) Settlement of Account and redemption of mortgaged property / assets in all loan cases by Regional Director, Gujranwala with the assistance of STAGL/STZ.
- xvii) Auction of mortgaged property, in case of default by the borrower.

Exit Strategy

During gestation period of the scheme, disbursement of RCP loan, using funds of the scheme as revolving funds, will be continued to facilitate the tanners of Sialkot to relocate to STZ and after expiry of gestation period, recovery from the borrowers will continue by PSIC till the receipt / settlement of all loan cases. On completion of the scheme, all the assets procured under the scheme will be transferred to PSIC. Steering Committee of the scheme will decide/recommend to Government for further continuation/utilization of funds under the scheme for regular financial support to the selected sectors/SMEs as per requirement/demand.

<ul style="list-style-type: none"> • The manpower requirements by skill / profession during execution and operation of the project. • The job description qualifications, experience, age and salary of each job may be provided. 	<p><u>Human Resource Management</u></p> <p>The staff of Program Delivery Unit (PDU) to be established under the ADP scheme titled “Pilot/Demonstration Resource Efficiency & Cleaner Production Investments in key Industrial Sectors” will implement the scheme with the support of existing staff of Regional Office, PSIC Gujranwala and DDO/SIE, Sialkot under the supervision and control of Directorate of Credit & Marketing and Directorate of Estate Management.</p> <p>N.A</p> <p><u>EXECUTION STAGE</u></p> <p><u>Procurement under the scheme</u></p> <p>All types of procurements in the project/scheme will be made in accordance with PPRA Rules by Directorate of A&C, PSIC Head office, Lahore subject to Clearance by austerity committee, if required. On completion of the scheme, all assets of the scheme will be transferred to PSIC.</p> <p><u>Constitution of Project Coordination Committee:</u></p> <table border="0"> <tr> <td>i. Managing Director, PSIC</td> <td>(Chair)</td> </tr> <tr> <td>ii. Director (C&M), PSIC</td> <td>(Member)</td> </tr> <tr> <td>iii. Director (EM), PSIC</td> <td>(Member)</td> </tr> <tr> <td>iv. CEO / President, STAGL</td> <td>(Member)</td> </tr> <tr> <td>v. Representative of EPD, Punjab</td> <td>(Member)</td> </tr> <tr> <td>vi. Regional Director, PSIC, Gujranwala</td> <td>(Member)</td> </tr> <tr> <td>vii. Project Director (PDU)</td> <td>(Secretary)</td> </tr> <tr> <td>viii. Any Co-opted Member(s) as decided by the Chair</td> <td></td> </tr> </table> <p>Project Coordination Committee will review the progress of the scheme on quarterly or demand basis.</p> <p><u>Constitution of Relocation and Cleaner Production Loan Sanctioning Committee</u></p> <p>Loan sanctioning committee will be comprised of the following:</p> <table border="0"> <tr> <td>i. Dy. Managing Director, PSIC</td> <td>(Chair)</td> </tr> <tr> <td>ii. Director (C&M), PSIC</td> <td>(Member)</td> </tr> <tr> <td>iii. Representative from EPD nominated by Secretary (EPD)</td> <td>(Member)</td> </tr> <tr> <td>iv. Regional Director, PSIC Gujranwala</td> <td>(Member)</td> </tr> <tr> <td>v. Representative from STAGL</td> <td>(Member)</td> </tr> <tr> <td>vi. Project Director, PDU</td> <td>(Secretary/Member)</td> </tr> </table>	i. Managing Director, PSIC	(Chair)	ii. Director (C&M), PSIC	(Member)	iii. Director (EM), PSIC	(Member)	iv. CEO / President, STAGL	(Member)	v. Representative of EPD, Punjab	(Member)	vi. Regional Director, PSIC, Gujranwala	(Member)	vii. Project Director (PDU)	(Secretary)	viii. Any Co-opted Member(s) as decided by the Chair		i. Dy. Managing Director, PSIC	(Chair)	ii. Director (C&M), PSIC	(Member)	iii. Representative from EPD nominated by Secretary (EPD)	(Member)	iv. Regional Director, PSIC Gujranwala	(Member)	v. Representative from STAGL	(Member)	vi. Project Director, PDU	(Secretary/Member)
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vi. Project Director, PDU	(Secretary/Member)																												

		<p><u>Constitution of Steering Committee</u></p> <p>Steering Committee shall comprise of following for monitoring and mentoring the scheme and to take necessary policy decisions for successful implementation of the scheme and to remove bottlenecks, if any:-</p> <ol style="list-style-type: none"> i. Secretary, ICI&SD Department (Chair) ii. Managing Director, PSIC (Member) iii. Representative from EPD, Lahore / Punjab (Member) iv. Representative from Finance Department (Member) v. Representative from P&D, Board , P&D Department (Member) vi. CEO / President STAGL (Member) vii. Director(C&M), PSIC (Member) viii. Director(EM), PSIC (Member / Secretary) <p>At least two meetings of steering committee will be held in a year. Impact assessment of the scheme would be carried out by P&D Department through DG Monitoring & Evaluation as and when they require.</p> <p><u>Complaints Redress Mechanism</u></p> <ul style="list-style-type: none"> ❖ Complaints will be received in PDU. The complaints will be responded / settled within 15 days from the receipt of the complaint by Director (EM) & Director (C&M). Online status of complaints will be available. DMD, PSIC will monitor complaints redress status and submit report to MD, PSIC on quarterly basis. ❖ Appeals against the decision of Director (EM) & Director (C&M) will be decided by Dy. Managing Director, PSIC. ❖ Appeals against the decision of Dy. Managing Director, PSIC, will be decided by Managing Director, PSIC. ❖ Appeals against the decision of Managing Director, PSIC, will be decided by Secretary, ICI&SD Department. <p>General: - In case of any ambiguity, Managing Director, PSIC is authorized to interpret and clarify any of the section / narration of this PC-I / for smooth execution of the scheme.</p>
14	<p><u>Additional Projects / Decisions required</u></p> <ul style="list-style-type: none"> • Indicate additional projects / decisions require optimizing the investment being undertaken on the project. 	N. A.

15	<p>Certificate</p> <ul style="list-style-type: none"> The name, designation and phone No. of the Officer Responsible for preparing and checking be provided. It may also be confirmed that PC-I has been prepared as per instructions issued by the Planning Commission for the preparation of PC-I for Production Sector Projects. The PC – I along with Certificate must be signed by the Principal Accounting Officer to ensure its ownership. 	<p>Needful has been done.</p> <p>It is also confirmed / certified that the project proposal has been prepared on the basis of instructions provided by the Planning Commission for the preparation of PC-1:-</p> <p>Prepared by _____ Sadaf Fatima Assistant Director (Dte of Planning Evaluation & New Initiatives) 042-99201436</p> <p>Checked by (1) _____ Khawaja Muhammad Imran Director (Planning Evaluation & New Initiatives) 042-99201436</p> <p>Checked by (2) _____ Sabih Zaka Director (Credit and Marketing) 042-99201432</p> <p>Checked by(3) _____ Khalid ur Rehamn Director (Estate Management) 042-99203300</p> <p>Checked by(4) _____ Ali Raza Tarar Director(F&A), PSIC 042-99200455</p> <p>Approved by _____ Jamil Ahmad Jamil Managing Director, PSIC 042-99200463</p>
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Annexure-I**TOTAL COST OF THE PROJECT****(Amount in Rupees)**

Description	2020-2021	2021-2022	Total
Operational Expenses (Annexure-II)	0	600,000	600,000
I.T Equipment (Annexure-III)	0	644,000	644,000
Office Equipment's (Annexure-III)	0	500,000	500,000
Furniture & Fixtures (Annexure-III)	0	500,000	500,000
Total:-	0	22,44,000	22,44,000
Funds for establishment of Grid Station in STZ for Electricity , supply of Natural Gas to STZ (external from Sambrial chowk to STZ gate) and establishment of Common Chrome Recovery Plant	340,000,000	0	340,000,000
	For Sui Gas (Rs. 100.00 Million) , Grid Station (Rs 200 .00 Million) & Common Chrome Recovery Plant (Rs 40.00 Million)		
Funds for Loaning	0	157,756,000	157,756,000
Total Allocation	340,000,000	160,000,000	500,000,000

Annexure-II**OPERATIONAL EXPENSE / CONTINGENCIES****(Amount in Rupees)**

Sr. NO	PARTICULARS	2020-2021	2021-2022	Total (Amount in Rupees)
1	Advertisements / Marketing	0	400,000	400,000
2	Stationery and Printing	0	200,000	200,000
	TOTAL	-	600,000	600,000

Annexure-III**I.T Equipment****(Amount in Rupees)**

DESCRIPTION	Qty.	Unit Price	Total
Laptops	2	130,000	260,000
Desktop Computers	2	110,000	220,000
Scanners	2	20,000	40,000
Wireless laser jet Printer	2	50,000	100,000
External Hard Drives	2	12000	24,000
Total	-	-	644,000

Office Equipment

Photo Copier Machine	1	500,000	500,000
Total			500,000

Furniture & Fixtures

Executive Table with chair, side rack complete set with 4 visitor chairs	2	120,000	240,000
Office Table, Chair with side rack and 2 visitor chairs at Field Offices	2	50,000	100,000
Visitors Chairs	20	8,000	160,000
Total			500,000

Note: All the items / equipment will be used at PSIC's Head office & Regional Office, Gujranwala/DDO/SIE, Sialkot for implementation of the scheme.



**PUNJAB SMALL INDUSTRIES CORPORATION
DIRECTORATE OF PLANNING EVALUATION & NEW
INITIATIVES
ROOM NO.203, 2ND FLOOR, ALFALAH BUILDING, THE MALL
LAHORE.**

Ph:-042-99201436

No. PSIC/PEN/ADP/ 2020-21/316/672

Dated:- 03.08.2020

1. The Additional Secretary, Environment Protection Department, Lahore.
2. Director General, Environment Protection Department, Lahore.
3. Muhammad Tahir, Director (Programs), Environment Protection Department, Lahore.
4. Chief WTO, ICI&SD Department, Lahore
5. Ihtesham Gillani, CEO, Sialkot Tannery Association Guarantee Limited (STAGL).(Member, Board of Directors, Tannery Association, Sialkot) House No. 5, Street No. 1, Zeeshan Colony, Kashmir Road, Sialko
6. Sarfraz Bhatti, Chairman, Sialkot Tannery Association Guarantee Limited (STAGL). House No. 5, Street No. 1, Zeeshan Colony, Kashmir Road, Sialko
7. Muhammad Atif, Project Director, (STZ), Sialkot. House No. 5, Street No. 1, Zeeshan Colony, Kashmir Road, Sialko
8. M. Imran, Deputy Director (Program), Environment Protection Department, Lahore.
9. Mr. Babar Munir, Deputy Economic Advisor-II, ICI&SD Department, Lahore.

SUBJECT: - **MINUTES OF MEETING HELD ON 10.07.2020**

Enclosed please find minutes of meeting held on 10.07.2020 at 11.30 a.m under the chairmanship of Managing Director, PSIC in committee Room, PSIC Head Office, Lahore to discuss the scope / contours of the scheme titled "**Demonstration Project on Industries for Urban Centers, Relocation of Tannery Units to Sialkot Tannery Zone and its Operationalization**" under Punjab Green Development Program to finalize the PC-I, for information and further necessary action.

Encl:- **As above**


Ihtesham Gillani
DIRECTOR(PEN)
03.8.2020

Copy to:-

1. PS to Managing Director, PSIC.
2. PS to Dy. Managing Director, PSIC.

SUBJECT: - MINUTES OF MEETING HELD ON 10.07.2020

A meeting, to discuss the scope / contours of the scheme titled “**Demonstration Project on Industries for Urban Centers, Relocation of Tannery Units to Sialkot Tannery Zone and its Operationalization**” under Punjab Green Development Program to finalize the PC-I, was held under the Chairmanship of Managing Director, PSIC on **10.07.2020 at 11.30 a.m** in Committee Room, PSIC, Head Office, Lahore at 1st Floor, Al-Falah Building, the Mall, Lahore.

Following attended the meeting;

1. Managing Director, PSIC (Chair)
2. Muhammad Tahir, Director (Programs), Environment Protection Department, Lahore.
3. Mr. Babar Munir, Deputy Economic-II, ICI&SD Department, Lahore.
4. Ihtesham Gillani, CEO, Sialkot Tannery Association Guarantee Limited (STAGL),(Member, Board of Directors, Tannery Association, Sialkot)
5. Sarfraz Bhatti, Chairman, Sialkot Tannery Association Guarantee Limited (STAGL).
6. Muhammad Atif, Project Director, (STZ), Sialkot.
7. Shamas Iqbal Cheema, Resident Engineer, STAGL.
8. M. Imran, Deputy Director (Program), Environment Protection Department, Lahore.

The meeting started with the recitation from the Holy Quran. The chair welcomed the participants and after having their brief introduction informed the house that three ADP Schemes relating to Punjab Green Fund Program are included in ADP 2020-21 and separate PC-Is of all the three schemes will be prepared after finalizing the contours / scopes of the schemes. In this context, today’s meeting is with reference to the following scheme;

Name of the scheme	Demonstration Project on Industries for urban centres , Relocation of tannery units to Sialkot Tannery Zone and its operationalization (PGDP)										
Cost of the Scheme	Rs. 500.00 Million										
Year wise allocation as per ADP 2020-21	Four Years (2020-21 to 2023-24) Rs. In Million										
	<table border="1"><thead><tr><th>2020-21</th><th>2021-22</th><th>2022-23</th><th>2023-24</th><th>Total</th></tr></thead><tbody><tr><td>5.00</td><td>200.00</td><td>250.00</td><td>45.00</td><td>500.00</td></tr></tbody></table>	2020-21	2021-22	2022-23	2023-24	Total	5.00	200.00	250.00	45.00	500.00
2020-21	2021-22	2022-23	2023-24	Total							
5.00	200.00	250.00	45.00	500.00							

The chair invited STAGL’s representatives and Project Director, STZ to explain the background of their project (STZ) and priority areas for intervention through the scheme. Project Director, STZ gave a comprehensive presentation and explained the project (STZ) and its background as under:-

- i) Sialkot Tannery Zone (STZ) is a self-based project with technical & financial support of Govt of Pakistan (Ministry of Climate Change, Ministry of Commerce)

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& Govt of Punjab (Environment Protection Department). In June 2004, Sialkot Tannery Association Guarantee Limited (STAGL) was established as an initiative of the Sialkot Chamber of Commerce and Industries (SCCI). The day to day affairs of the company are looked after by its Board of Directors (BOD) comprises of elected members of the Sialkot Tannery Association (G) Ltd (STAGL). Project Steering Committee has also been formulated to overall monitor and execute the project under the Chairmanship of Secretary, Ministry of Climate Change, Govt. of Pakistan.

- ii) While explaining the leather sector, he apprised to the house that amongst the manufacturing sector, after textile, leather industry is the **2nd largest foreign exchange contributor**. Contribution of leather sector exports has been hovering around 01 billion US Dollars per annum. The exports of leather sector which were US\$ 1.275 Billion during 2013-14 declined to US\$ 948 Million during 2017-18. One of the major issues is the compliance of international environment standards. The growth of leather sector has, however, been restrained by an inability of the leather industry to meet rigorous customer requirements and compliance regulations of the importing countries. The compliance of environmental & social compliance standards is mandatory for the EU markets as Pakistan has granted **GSP+ status**. Now a New requirement from the Brands of EU has also been introduced that is compliance of **Leather Working Group (LWG)**. There is huge potential of export in international market (**US\$ 123 Billion Global Leather Market**) which can be exploited only through adopting compliance standards.
- iii) The **Core Objective of STZ** project is sustainable transition of leather business in Sialkot form conventional to modern lines to **enhance the Exports of Country**. For this purpose STAGL has taken up a mega project of shifting all the tanneries in one well planned STZ, which shall be equipped with all required facilities in one location. This shall have suitable infrastructure of roads, pavements and parking. It shall also be equipped with commercial areas that shall support the tanners for supply of their requirements other than raw material. The STZ shall have complete **segregated effluent collection system** and a **common effluent treatment plant**. Other treatment facilities like **Chrome Recovery Plant, Fat Extraction Plant, and Common Facility Centre** shall be provided within the STZ for convenience of the tanners and for addressing the environmental issues.
- iv) Implementing partners include, STZ members, Government of Pakistan through EDF, Government of Punjab through Environment Protection Department, GEF through Ministry of Climate Change and UNIDO.
- v) While explaining the status of ongoing activities , house was informed as under:-
 - a) Internal Road network needs its completion which involves Rs. 310.00 Million and no funds available with STZ for the purpose.
 - b) For establishment of Grid Station (21 MW), Rs. 430.00 Million are required. To meet this expenditure, Rs.200.00 Million through EDF and Rs.30.00 through STZ members will be managed. Remaining Rs.200.00 Million are additionally required.

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- c) Sui Gas is about 10-11 Km away from STZ , and as per SNGPL estimates , Rs.112.00 Million are required to bring the Gas pipeline from Sambrial Chowk to the gate/site of STZ. Internal pipeline will be installed through the funds of STZ private members for which funds amounting to Rs. 120.00 Million will be incurred.
- d) Activities like Civil Works of common effluent treatment plant, Electro mechanical Works of Common Effluent Treatment Plant, Cost of running service for six months on experimental basis of CETP, Waste to energy plant and solid waste disposal, Ancillary buildings, Tree Plantation, and Human capacity raising activities, are in progress and will be completed by **December, 2021.**
- e) For the establishment of Common Chrome Recovery Plant, an amount of Rs. 80.00 Million are required whereas only Rs. 40.00 Million (through EDF) are available.
- f) For the establishment of Common Training cum Facility Centre, an amount of Rs. 130.00 Million are required whereas only Rs. 30.00 Million (through EDF) are available.
- g) For implementation of cleaner protection practices for facilitation of REACH Directive / Leather Working Group (LWG) protocols, funds amounting to Rs. 250.00 Million are required but no funds are available. (It is World Bank's priority) However, individual efforts are required to comply with the directive and tanners are also following the protocols. Tanneries are using imported chemicals as per requirements. Necessary trainings are also imparted to the tanners off and on.
- h) For fresh water supply system, funds amounting to Rs. 150.00 million would be required and incurred through STZ members.

Mr. Sarfraz Bhatti, Chairman, STAGL added on the behalf of Tanneries Association, that all the tanneries are ready to shift in the zone as they all have purchased the plots in STZ. Stick and carrot approach is also being applied by Government of the Punjab through issuing challan of Tanneries by EDP for not meeting the environmental quality standards.

Muhammad Tahir, Director (Programs), Environment Protection Department, Lahore while given his comments stated that EPD is not sealing the tanneries and taking a lenient view at this stage, only challan are being issued if standards are not met by them. EDP has shifted funds to STZ for purchase of land and development work is started but tanneries are not shifting / moved to STZ.

While entering into the discussion, Mr. Ihtesham Gillani, CEO, STAGL stated all the tanneries will move to STZ once infrastructure is completed. Moreover, they are allowing tanners to start construction of tanneries from August/September, 2020 as 2.5 MW electricity is available at STZ which is sufficient for construction purpose.

Project Director, STZ further added that land measuring 32-Kanals has been allocated for the establishment of Grid station. GEPCO has issued demand notice amounting to Rs. 330.00 Million for Grid Station in STZ about one and half years back. The construction of Gird Station will be started by GEPCO after making full payment to GEPCO against

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Demand Notice. Moreover, significant time has been lapsed and during the last meetings with GEPCO authorities, it was anticipated that GEPCO will revise the demand notice and enhance the amount upto Rs.430.00 Million approximately.

Mr. Ihtesham Gillani, CEO, STAGL also apprised to the chair that once STAGL allow construction , about 150 out of 250 tanneries would definitely shift to STZ within one and half year. Keeping in view this assumption, it has been decided that common affluent treatment plant at the STZ would be established module-wise. Civil works for the plant (Module-I) is going to start and will be completed by December, 21. In the long run, size/capacity of treatment plant would be enhanced through module-II & III as per actual plan / design in view of the requirement / colonization in STZ.

After due deliberations, the chair was of the view that all the activities, at STZ, should be started / completed in parallel through observing a timeline agreed by STAGL. Start of one activity and delay in execution of other, would incur irreparable loss to the project. The STZ should complete its activities in accordance with its plan in order to have a real gain and rise in leather sector exports which is one of the prime objective of the project.

DECISIONS:

- 1) STAGL will get confirmation about the validity of demand notice already issued by GEPCO for the establishment of grid station and matters incidental thereto and negotiate with GEPCO regarding payment against demand notice in yearly installments in accordance with the allocation of funds given in ADP 2020-21.
- 2) Through the captioned ADP scheme, PSIC will pay the amount against demand notice as per agreed terms to GEPCO for establishment of Grid stations in STZ to ensure availability of electricity in STZ within 18-months to meet the requirements of industry / tanneries.
- 3) Moreover, payment to SNGPL by PSIC against the demand notice, to be issued by STAGL, would also be made under captioned ADP scheme so that Gas pipe line could be brought at the gate of STZ. STAGL will get the demand notice issued by SNGPL and mode of payment in installments at the earliest.
- 4) STAGL will also ensure to the Government of the Punjab that all the expenses on account of internal gas pipe line within the STZ premises will be borne by STZ members and start execution of work immediately, once payment is made to SNGPL by Government of the Punjab under this scheme.
- 5) There should be parallel shifting of tanneries to STZ and STAGL will ensure construction/shifting of 80% unit i-e 200 Nos. in STZ by the end of **June, 2022** for which they also agreed in the meeting.
- 6) Tanneries if required any support for shifting, may utilize facility of loaning by PSIC on nominal rates.

The meeting ended with the vote of thanks.

Mub;



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(PSIC (EM&W))
(DIARY NO. 611)
7-8-20



P.S.I.C.
Diary No. 6083
Date: 4-8-2020
M.D. CELL

No. DEA-II/1-12/2019(PSDP)
GOVERNMENT OF THE PUNJAB
INDUSTRIES, COMMERCE, INVESTMENT &
SKILLS DEVELOPMENT
DEPARTMENT

Dated Lahore, the 04th August, 2020

P.S.I.C.
Diary No. 5771
Date: 6-8-2020
D.M.D.S. CELL

The Managing Director,
Punjab Small Industries Corporation (PSIC),
Alfalah Building, The Mall,
Lahore.

DMD
Dr. Jany
Examin
for

Subject: ESTABLISHMENT OF SIALKOT TANNERY ZONE PROJECT (FINANCIAL GAPS).

I am directed to enclose a copy of letter No. STAGL/07/2020/667 dated: 28-07-2020 alongwith its enclosures received from Sialkot Tannery Association (Guarantee) Limited on the above subject.

2. I am further directed to request to kindly take necessary action, as PSIC is the executing agency of this project.

[Signature]
DEPUTY ECONOMIC ADVISOR-II

C.C:

- 1. PS to Secretary ICI & SD Department.
- 2. PA to Chief WTO, ICI & SD Department.

PSIC/PEN
Diary No. 5771
Date: 6-8-2020

Relates to
Div (PEN)
7-8



Sialkot Tannery Association (Guarantee) Limited.

Ref: STAGL/07/2020/667
Date: 28th July, 2020

MR. MOEED AMAN RANA
Chief WTO
ICI & SD Department
Government of the Punjab
Lahore

Subject: **ESTABLISHMENT OF SIALKOT TANNERY ZONE PROJECT (FINANCIAL GAPS)**

Dear Sir,

It is in your kind knowledge that "Sialkot Tannery Zone (STZ)" project is well in progress and various activities have already been completed whereas some are in progress. However we are experiencing financial Gaps which is impediment in completion of the project with in stipulated time i.e. December 2021. The detail of each activity along with completion status and funds availability in annexed.

Keeping in view the successful implementation of the project, the STAGL's Board of Directors has prioritized the remaining activities for which the financial assistance required is as under.

Sr #	Project Component	Completion Status	Financial Gap (PKR)
1	Establishment of the Grid Station.	September 2022	200 million
2	Provision of Natural Gas to the STZ. (External- from Sambrial Chowk to STZ)	October 2021	100 million
3	Construction of the remaining portion of the STZ Internal Road Network.	June 2021	310 million
4	Establishment of Chrome Recovery Plant (CRP).	September 2021	40 million
5	Establishment of Common Facility cum Training Centre (CFC).	December 2021	100 million

It is requested to kindly approve the above prioritized activities under Punjab Green Development Program (PGDP) so that the STZ project could successfully be completed and achieve the derived objectives like Social and Environmental compliances and to enhance the exports of Pakistan's Leather sector. We are sure that if the financial assistance will be provided for the above detailed activities the STZ project would be well completed by 31st of December 2021

Kashmir Road, Street The Sprit School System, House # 5, Zeeshan Colony, Sialkot-51310-Pakistan.
Tel: +92-52-3573550 E-mail: info@stagl-skt.com, Web: www.stagl-skt.com



Sialkot Tannery Association (Guarantee) Limited.

It is also pertinent to mention here that STAGL's BOD is allowing the Tanners to start construction of their tanneries in the STZ from September/October, 2020 and by December 2021 and around 60% tanneries i.e. 150 tanneries would already have started construction and shifting in STZ.

Your kind support in early approval of the PC-I under PGDP will be highly appreciated.

Best Regards



SYED AHTESHAM MAZHAR
Chief Executive Officer



Sialkot Tannery Association (Guarantee) Limited.



Ref: STAGL/08/2020/671
Date: 07/08/2020

Managing Director
Punjab Small Industries Corporation
Room#203, 02nd Floor, Al-Falah Building
The Mall, Lahore
042-99201436

DMD
DW/PEN
Adm
11/8
Aust

Subject: **MINUTES OF MEETING HELD ON 10-07-2020**

Dear Sir,

Acknowledging the receipt of subjected meeting minutes vide letter # PSIC/ADP/2020-21/316/672 dated 03-08-2020, I would like to extend my gratitude for providing us with the opportunity to provide our feedback in formulation of the PC-1 for the planned Demonstration project of Tannery Units relocation to the Sialkot Tannery Zone under Punjab Green Development Program.

Reference to the decisions taken in the said meeting, I would like to share that a Priority List of STZ Project Components requiring financial assistance has already been submitted to Chief WTO, ICI & SD department and copy of the same is enclosed herewith for your perusal. Please also find attached herewith the detail of funding contribution from different project partners.

The Sialkot Tannery Zone has pivotal role is the sustainability of Pakistan Leather Sector and your kind cooperation will play a key role in the successful completion of the project.

Best Regards

Ahtesham Mazhar

Syed Ahtesham Mazhar
Chief Executive Officer

PSIC/PEN
No. 316
Date: 10-8-2020

Establishment of Sialkot Tannery Zone											Annexure-A
Funding Arrangements & Funding Gaps											
S#	Activity Description	Total Estimated Amount Rs. million	Funds Sponsor Agency / Sector	Status of Funding	Status of Activity	Funds Committed Rs. million	Funds Available Rs. million	Funds Utilized Rs. million	Gap in Funding Rs. million	Estimated time of completion	
1	Acquisition of Land	380	Govt of Punjab (EPD) = Rs.292 million Private Sector(STZ members) =Rs. 88 million	Utilized	Completed	380	-	380	-	already completed	
2	Detail Designing & Preparation Tender (Boundary wall, Entrance gate, Roads, effluent & storm water channels, etc)	10	Private Sector (STZ members)	Utilized	Completed	10	-	10	-	already completed	
2	Boundary Walls	21	Private Sector (STZ members)	Utilized	Completed	21	-	21	-	already completed	
3	Main Entrance Gate	6.8	Private Sector (STZ members)	Utilized	Completed	6.8	-	6.8	0	already completed	
4	Climate & Social Assessment of Study	1	Intl. Donor(GEF-UNIDO) = Rs. 0.5 million Private Sector = Rs 0.5 million	Utilized	Completed	1	-	1	-	already completed	
5	EIA Study of STZ	1.5	Private Sector (STZ members)	Utilized	Completed	1.5	-	1.5	-	already completed	
6	Construction of Stores for electrical & mechanical items at Site	2.6	Private Sector (STZ members)	Utilized	Completed	2.6	-	2.6	-	already completed	
7	Internal Electrification of Zone & External Electrification I connection with Existing Grid Station for Temporary Supply up to 5 MW)	70	Private Sector (STZ members)	Utilized	Completed	66	-	66	-	already completed	
8	Effluent & Storm Water Conveyance System	700	Federal Govt. (EDF) Rs. = 80 million Private Sector (STZ members) = Rs. 620 million	Utilized	Completed	700	-	700	-	already completed	
9	Detail Designing & Preparation Tender Documents for Common Effluent Treatment Plant	18	Intl. Donor (GEF UNIDO)	Utilized	Completed	18	-	18	-	already completed	
10	Environment Impact Assessment Study of Common Effluent Treatment Plant	0.65	Intl. Donor(GEF-UNIDO)	Utilized	Completed	0.65	-	0.65	-	already completed	
11	Civil Works of Common Effluent Treatment Plant	420	Federal Govt(EDF) = Rs. 320 million Private Sector(STZ members)=Rs. 70 million	Available	In-progress at Work Award Stage	390	EDF: 280 + STZ: 70	-	-	September 2021	
12	Electro-Mechanical Works of Common Effluent Treatment Plant	378.5	Intl. Donor(GEF UNIDO) = Rs. 345.75 million Federal Govt. (EDF) = Rs. 33 million	Available	In-progress Tendering Stage	378.75	375.7	-	-	December 2021	

Establishment of Sialkot Tannery Zone Funding Arrangements & Funding Gaps										Annexure -A
Sr#	Activity Description	Total Estimated Amount Rs. million	Funds Sponsor Agency / Sector	Status of Funding	Status of Activity	Funds Committed Rs. million	Funds Available Rs. million	Funds Utilized Rs. million	Gap in Funding Rs. million	Estimated time of completion
13	Sludge Disposal	30	Federal Govt. (EDF)	Available	Planning Phase	30	-	-	-	December 2021
14	Segregation of useful by products of leather industrial waste, for further use by agriculture.	10	Federal Govt. (EDF)	Available	Planning Phase	10	-	-	-	June 2021
15	Cost of running services for six months on experimental basis of CETP.	40	Federal Govt. (EDF)	Available	after completion of CETP	40	-	-	-	December 2021
16	Fresh Water Supply System	150	Private Sector (STZ members)	Available	Planning Phase	150	150	-	-	December 2021
17	Internal Supply System of Natural Gas (within STZ)	120	Private Sector (STZ members)	Available	Planning Phase	120	120	-	-	December 2021
18	Techno-Economic Study, Detail Designing for Common Chrome Recovery Plant	0.4	Private Sector (STZ members)	Utilized	Completed	0.4	-	0.4	-	already completed
19	Waste to Energy Plant and Solid Waste Disposal	350	Federal Govt (EDF) = Rs. 250 million Private Sector (STZ members) = Rs. 50 million	Available	Planning Phase	350	60	-	-	December 2021
20	Andillary Buildings	172	Private Sector (STZ members)	Available	Designing	172	-	-	-	October 2022
21	Tree Plantation	0.5	Private Sector (STZ members)	Available	In-progress	0.5	0.2	0.3	-	October 2022
22	Human Capacity Raising Activities	10	Intl. Donor (GEF UNIDO)	Available	In-progress	10	0.5	0.4	-	October 2022
23	Internal Road Networks	630	Private Sector (STZ members)	Utilized	Partially Completed	320	-	320	310	June 2021
24	Establishment of Grid Station (21MW) Purchase of Land for External Poles Connection from Existing grid to STZ grid	430	Federal Govt (EDF) = Rs. 200 million Private Sector (STZ members) = Rs. 30 million	Partially Available	Planning Phase	230	EDF: 200 + STZ: 30	-	200	September 2022
25	Supply of Natural Gas to STZ (external) from sambriali chowk to STZ site	112.601	Private Sector (STZ members)	Partially Available	Planning Phase	12.601	12.601	-	100	October 2021
26	Construction of Common Chrome Recovery Plant	80	Federal Govt. (EDF)	Partially Available	In-progress Approval Stage of Tender	40	40	-	40	September 2021

Establishment of Sialkot Tannery Zone Funding Arrangements & Funding Gaps										Annexure -A
Sr#	Activity Description	Total Estimated Amount Rs. million	Funds Sponsor Agency / Sector	Status of Funding	Status of Activity	Funds Committed Rs. million	Funds Available Rs. million	Funds Utilized Rs. million	Gap in Funding Rs. million	Estimated time of completion
27	establishment of Common Training cum Facility Center	130	Federal Govt. (EDF)	Partially Available	Designing	30	30	-	100	December 2021
28	Implementation of Cleaner Protection Practices for facilitation of REACH Directive / Leather Working Group Protocols	250		Not Available	Planning Phase	-	-	-	250	October 2022
Total:						3491.801	1369.101	1528.65	1000	
(Rs. Million):										

***Notes: Shifting of Tanneries in Sialkot Tannery Zone. Start from October 2020 to October 2022

* Note: The funds from the international donor (GEF) has been released and are available with project implementation partner (UNIDO) (CEP: Common Effluent Treatment Plant) (EPD: Environment Protection Department, Govt of Punjab) / (STZ: Sialkot Tannery Zone) / (EDF: Export Development Fund, Ministry of Commerce, Govt of Pakistan) (REACH: Registration, Evaluation, Authorization and Restriction of Chemicals, regulation of the European Union) (GEF: Global Environment Facility) (UNIDO: United Nations Industrial Development Organization)

SIALKOT TANNERY ZONE

Sialkot Tannery Association (Guarantee) Limited.

*P. S. I. C. / 376
24/8/2020*

P.S.I.C.
Diary No. 6175
Date: 24-8-20

P.S.I.C.
Dairy No. 5855
Date 24-8-2020
D.M.D.S. CELL

DMD

Ref: STAGL/08/2020/676
Managing Director
Punjab Small Industries Corporation
Room#203, 2nd Floor,
Al-Falah Building, Mall Road,
LAHORE.

Date: 20th August, 2020

*Muh. 24/8
AD(PERS) DW BEN
for m*

Subject: **Establishment of Sialkot Tannery Zone Project (Financial Gaps)**

Dear Sir,

In continuation of minutes of meeting held on 10-07-2020 and letter of this office vide # STAGL/08/2020/671 dated: 07-08-2020, I would like to share that GEPCO has approved STAGL to deposit the demand notice amount i.e. Rs. 331 Million for establishment of Grid Station **in instalments**. In this regard STAGLs Board of Directors has also approved to submit the first instalment of Rs.131 million from the funds already received from Ministry of Commerce, Export Development Fund (EDF).

*24/8
A.R.B.*

Keeping in view the above said scenario, STAGL hereby propose that for the year 2020-2021, PSIC may approve the funds for the Provision of Natural Gas to the STZ (External- from Sambrial Chowk to STZ) amounting to Rs. 100 million (the Demand Notice issued from SNGPL is attached herewith). Whereas provision of funds for Establishment of Grid Station Rs. 200 million and Provision of soft loan for the relocation of tanneries may be covered in next financial year 2021-2022, as it is necessary to pay the next and final installment of Rs. 200 Million to GEPCO in the year 2021-2022 to complete the Grid Station assignment in stipulated time period.

We will be highly obliged for your understanding and support for successful implementation of Sialkot Tannery Zone Project under Punjab Green Development Program (PGDP), so that the STZ project could achieve the devised objectives that is Social and Environmental compliances and to enhance the exports of Leather Sector.

Best Regards

Syed Ahtesham Mazhar
Chief Executive Officer

Kashmir Road, Street The Sprit School System, House # 5, Zeeshan Colony, Sialkot-51310-Pakistan.
Tel: +92-52-3573550 E-mail: info@stagl-skt.com, Web: www.stagl-skt.com



SUI NORTHERN GAS PIPELINES LIMITED

GAS HOUSE, 21 KASHMIR ROAD, P.O. BOX 56, LAHORE (PAKISTAN)

Ref: SSO/JOB COST

Date: 30-01-2020

M/S SIALKOT TANNERY ASSOCIATION (GUARANTEE) LIMITED
Address: KHAMBRAN WALA CHOWK
AIRPORT ROAD SIALKOT

Cell: 0523-573550

**SUPPLY OF GAS TO SIALKOT TANNERY
ASSOCIATION (GUARANTEE) LIMITED
AGAINST 100% COST RECOVERY BASIS**

Dear Sir,

Kindly refer to your letter Ref: STAGL/01/2018/348 Dated: 05-01-2018 on the above cited subject.

We are pleased to inform that your request for provision of gas supply to your above mentioned scheme has been acceded to, subject to provision / fulfillment of following:

1. The cost of gas infrastructure has been worked out as follows:

Pipe Size	Quantity (Meters)	Unit Cost (Rs.)	Amount (Rs.)
8" Dia	11150	9,740/Meter	108,601,000
Any Other (Crossings etc)	05 No. major crossings (02 BRT & 03 NALLAH)		4,000,000
Grand Total			112,601,000

The above cost is based on Unit Construction Cost for the fiscal year 2019/2020. The balance amount of the above cost, if any, shall also be payable by you after execution of the job by the Company.

2. RLNG will be provided to individual consumers within the society subject to fulfillment of contractual formalities and deposit of security and service line charges.
3. Check meter may be installed at the inlet point for reconciliation of the volume of gas.
4. This pipeline will remain Company's property.
5. On receipt of the above cost, we shall make arrangements for procurement of necessary material and laying of network, which may take 12 to 18 months, subject to unforeseen circumstances.
6. Please also execute Gas Purchase Agreement on Rs. 100/- non-judicial stamp paper as per Annexure.



SUI NORTHERN GAS PIPELINES LIMITED

GAS HOUSE, 21 KASHMIR ROAD, P.O. BOX 58, LAHORE (PAKISTAN)

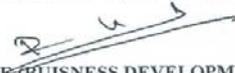
7. The balance amount of the above cost, if any, shall also be payable by you after execution of the job by the Company. The above cost is based on Unit Construction Cost for the fiscal year 2019/2020.
8. Any required NOCs from other government agency, to lay line in their land, shall be arranged by the applicant.

If the above conditions are acceptable to you, kindly return the enclosed duplicate copy of this letter duly signed by you in token of your concurrence latest by 30 days failing which the offer will stand automatically revoked.

Mean time assuring you of our best services and cooperation at all times.

Regards,

Sui Northern Gas Pipelines Limited


INCHARGE (BUSINESS DEVELOPMENT)
For Regional Manager (D)

N.O.O.
Cc: Regional IC of Accounts Section.
Cc: Regional IC of Development Section.

SIALKOT TANNERY ZONE



Sialkot Tannery Association (Guarantee) Limited.

Ref. STAGL/11/2020/ 712

12th November, 2020

The Managing Director
Punjab Small Industries Corporation (PSIC)
Lahore,

Subject: Response of STAGL on PC-I of PGDP-STZ Schemes

Respected Sir,

This refers to our meeting held on 9th November, 2020 at your good office. We are thankful to you for sharing the updated status of PC-I and observations of World Bank & Punjab Environment Protection Department.

Accordingly, we would like to submit you the STAGL's response on the observations / concerns. Please find enclosed herewith, the following:

1. STAGL's point wise response "Annexure A"
2. Detail of mandatory Cleaner Production technologies for the tanneries "Annexure B"
3. Status of activities in STZ with Funding details "Annexure C"
4. Proposed work plan for implementation of STZ remaining activities Annexure D"

If have any further query or need any clarification, please let us know. We'll be highly obliged for your preferred attention in this matter.

Thanking you.

Best Regards



Syed Ahtisham Mazhar
Chief Executive Officer

PSIC/PEM/698
17-11-2020

258

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For ✓

Muzam
17/11/20

AD(PEN)
17/11
Ahtisham

Annexure - A

Establishment of Sialkot Tannery Zone

Demonstration Project on Industries for Urban Centers, Relocation of Tannery Units to Sialkot Tannery Zone and its Operationalization (PGDP)

Sr #	Scheme Components	Estimated Cost	Funding Arrangements	Remarks
1	Construction of 21MW Grid Station	Rs. 430 million - Rs. 376 million revised estimate of GEPCO. - Rs. 54 million for Purchase of Land for External Poles Connection from Existing grid to STZ grid	EDF: Rs. 200 million (available) STZ: Rs. 30 million (available) Request to PGDP: Rs. 200 million	<p>To supply continuous, un-interrupted electricity it is planned to establish a separate independent Grid Station of capacity 21 MW at STZ. The construction of grid station will be done by GEPCO and all estimates are prepared by them. The minimum estimated time of completion of grid station is 1.5 to 2 years, after depositing the full payment requested in demand note of GEPCO.</p> <p>In this regard, as per the demand notice generated by GEPCO, STAGL has initially paid Rs. 131 million as a 1st instalment on 21st September, 2020. (For reference copy attached herewith as annexure-I). On submission of 1st instalment GEPCO has energized the STZ with temporary supply of 2.5 MW of electricity.</p> <p>Furthermore, STAGL top management had meeting with GEPCO CEO dated 5 November 2020 to expedite / plan further action plan the construction activities. In this meeting CEO GEPCO assured STAGL management that they will start the construction activities as soon as they will receive the next instalment of Rs. 200 million.</p> <p>Request to PSIC: To avoid any delays in construction of grid station and to operationalize STZ, the 2nd instalment to GEPCO of Rs. 200 million is necessary on top priority basis. Therefore STAGL requests PSIC authorities to take up the matter to release Rs. 200 million to GEPCO by Jan 2020.</p>

(Handwritten signature)





2	Supply of Natural Gas to STZ (external) from sambrial chowk to STZ site	Rs. 112.601	STZ: Rs. 12.601 million (available in bank account) Request to PGDP: Rs. 100 million	<p>Natural Gas is required in various heating steps involved in leather manufacturing processes. For supply of natural gas STAGL has requested to SNGPL. They have surveyed the site and provided to an estimate of Rs. 112.601 million for supply of natural gas (external) from Sambrial Chowk to STZ Site. (Copy attached as annexure - ii)</p> <p>Moreover, for laying the internal gas network within the STZ boundary, additional Rs. 115 million (estimated) are required, which would be generated by STAGL own resources (STZ members contribution as development charges, which is already generated by plot holders).</p> <p>Request to PSIC: Provision of natural gas is essential for the operationalization of tanneries at STZ. The minimum time period required by SNGPL to lay down the external pipe from Sambrial to STZ site is one and a half year. Therefore it is requested to PSIC authorities to provide the requested amount of Rs. 100 million within this financial year, so that the laying activity could be started in this financial year. Moreover, initiation of this activity will also boost the motivation of tanners to shift at STZ. The detailed estimates and work plan will be provided officially by SNGPL upon deposited of Rs. 112.601 million.</p>
3	Construction of Common Chrome Recovery Plant	Rs. 80 million	EDF: Rs.40 million Request to PGDP: Rs. 40 million	<p>Common Chrome Recovery Plant will recover Chrome, which is heavy toxic metal, from the tanning effluent and will be re-used in tanneries. CRP also assist to reduce the pollution in downstream. Moreover, the operationalization of common effluent treatment plant & to meet the requirements of Punjab Environmental Quality Standards for industrial effluents, is also linked with construction of chrome recovery plant.</p>

				<p>The engineering estimate of chrome recovery plant is Rs. 80 million. (for reference copy attached herewith as annexure-iii). STAGL has managed Rs. 40 million from EDF and requested to cover remaining financial gap of Rs. 40 million from PGDP. Furthermore, the tender documents as per PPRA rules & PEC guidelines have also been prepared.</p> <p>Request to PSIC: One of the core objective of establishment of the STZ project is to treat the toxic effluent of tanneries to meet Punjab Environmental Quality Standards. In this regard the recovery of chrome from effluent of tanneries has the pivotal role. Therefore it is requested to PSIC to assist STAGL to overcome the financial gaps so that tendering process could be started in time and release Rs. 40 million as soon as possible to start the process.</p>
4	Shifting of Tanneries	Rs. 20,000 million	Tanners of Sialkot	<p>STAGL has given permission to tanners to start the construction of Tanneries. More than 80% possession letters have already been given to the plot holders who have paid their development charges. In this regard, the tanners have started to apply for electricity connection so that they could start construction activities at site.</p> <p>So far with the available resources STAGL has taken several steps regarding RECP, e.g.,</p> <ul style="list-style-type: none"> - Construction By-Laws of STZ in which it is mandatory that all units have in-house water metering system, grit chambers, effluent segregation channels, chrome collection pits, installation of fine screens, etc. - Typical Tannery Design Guidelines & Green Tannery Designs: To further assist tanners and to ensure the compliance of international standards w.r.t RECP.
5	Resource Efficient Cleaner Production (RECP)	Rs. 250 million		




				<p>STAGL has hired international & local consultants to prepare tannery designs of different sizes and processes. These guidelines & designs includes water & wastewater management, energy conservation techniques, chemical conservation & management techniques, etc.</p> <ul style="list-style-type: none"> - To sensitize the tanners on RECP initiatives STAGL has planned to conduct 20 corner meeting. So far 2 corner meetings have been held despite of COVID19 pandemic. - For further details please refer to attached annexure – B. <p>Moreover, STAGL has also requested to Govt. of Punjab through PGDP to provide further financial assistance for practical demonstration / implementation in terms of, energy audits & conservation, chemical efficiency, introduction of eco-friendly chemicals & chemical minimization, BMR, color formulation and application / demonstration of corporate carbon foot prints reduction & trainings.</p>
6	Environment Impact Assessment (EIA)			<p>STAGL has already taken up the matter. In this regard the EIA of complete STZ project and EIA of Common Effluent Treatment plant has been already conducted and NOCs were given by Punjab Environment Protection Department.</p> <p>Moreover, Sialkot Tannery Zone is established for only one type of industry i.e Tannery Units, hence there is no need of separate / individual EIAs of each tannery units because all tanneries are similar in nature. The matter has been already discussed with Punjab Environment Protection Department and as per verbal commitment from department they agreed on it. STAGL will further</p>



				<p>pursue this matter with Punjab EPD and submit their consent in written.</p>
7	<p>Establishment of Common Training cum Facility Center</p>	<p>Rs. 130 million</p>	<p>EDF: Rs. 30 million Request to PGDP : Rs. 100 million</p>	<p>There are 250 tannery units in Sialkot and more than 95 % of them are Small Enterprises. The SMEs cannot afford the Modern Eco-friendly equipment and nor they possess the skills to handle such machines. Hence it has been planned to establish a Common Facility cum Training Centre where training to the workers on modern Eco-friendly technique of leather finishing could be implemented. For this purpose STAGL has started to prepare the design of common facility cum training center which is under way by engineering consultancy firm.</p> <p>STAGL has managed to arrange Rs. 30 million from EDF, Govt of Pakistan for building of common facility cum training center. There is a financial gap of Rs. 100 million for purchase of equipment / machinery of this facility center, which is already requested to PSIC through PGDP.</p>
8	<p>Interest Free Loan To Tanners who will shift at STZ. (Only to Plot Size, 1 to 4 Knnal)</p>			<p>There are 250 tannery units in Sialkot and more than 95 % of them are Small Enterprises. The shifting of tanneries from their existing location to STZ and construction of whole new infrastructure of tannery at new place involves huge amount of capital expenditure of tanners.</p> <p>Therefore it is requested to Govt of Punjab through PSIC & PGDP to provide financial assistance to tanners of STZ, having plot sizes from 1 kannel to 4 kannel, in form of interest free loan upto Rs. 3.0 million per plot. Regarding the recovery of loan, STAGL propose two options,</p>



				<p>1. The plots of tanner/applicant will be pledged to PSIC and in case the tanner defaults, PSIC have authority to sell the plot and recover the amount.</p> <p>2. The plots of tanner/applicant will be pledged to PSIC and in case the tanner defaults, STAGL will pay the loan amount to PSIC and sell it to other potential tanner of Sialkot.</p> <p>Pre-Requisites of Loan Approval:</p> <ul style="list-style-type: none"> • Documentary Proof of Ownership of Plot. • Plot & Development Dues Clearance Certificate from STAGL. • Approval of Tannery Architectural plan from STAGL. • Completion of Tannery Structure upto foundations & walls before lintel (roof of first floor), duly verified by RE-STAGL and PSIC Engineer. • (*)Submission of Decontamination Plan / Environmental Management Plan of existing tannery/unit in the city before shifting to tannery / unit at STZ. <p>(*) STAGL agrees that any applicant tannery who desires to avail the loan facility through World Bank PGDP scheme must submit a comprehensive site decontamination and environmental management plan keeping in view the Punjab Environmental Quality Standards. The site decontamination plan will address remediation measures with respect to heavy metals and other toxic chemicals associated with tannery processes. The site decontamination and environmental management plan will be submitted 3 months prior to</p>
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9	Internal Road Networks	Rs. 630 million	<p>STZ members: Rs. 320 million Gap : Rs. 310 million (requested from STZ members)</p>	<p>shifting of tannery at STZ and will dully approved by Punjab Industries Department / PSIC.</p> <p>Total Length of internal roads of STZ are 14.83 KMs which comprises of 120', 90' & 60' width. Rs. 330 million have been already contributed by members of STZ and internal roads till sub-base level have been completed.</p> <p>The top layer of roads have left because of damage / deterioration due to heavy construction activities at site. It planned to complete the top layer of roads after completion of heavy construction works at site. .</p> <p>Moreover, after refusal of funds request through PGDP, STAGL has started the collection of financial gaps from STZ members (Plot holder) and will complete the left over works as soon as the construction of CEPT will be completed.</p>
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SUI NORTHERN GAS PIPELINES LIMITED

GAS HOUSE, 21 KASHMIR ROAD, P.O. BOX 56, LAHORE (PAKISTAN)

Ref: SSO/JOB COST

Date: 30-01-2020

M/S SIALKOT TANNERY ASSOCIATION (GUARANTEE) LIMITED

Address: KHAMBRAN WALA CHOWK
AIRPORT ROAD SIALKOT

Cell: 0523-573550

SUPPLY OF GAS TO SIALKOT TANNERY ASSOCIATION (GUARANTEE) LIMITED AGAINST 100% COST RECOVERY BASIS

Dear Sir,

Kindly refer to your letter Ref: STAGL/01/2018/348 Dated: 05-01-2018 on the above cited subject.

We are pleased to inform that your request for provision of gas supply to your above mentioned scheme has been acceded to, subject to provision / fulfillment of following:

1. The cost of gas infrastructure has been worked out as follows:

Pipe Size	Quantity (Meters)	Unit Cost (Rs.)	Amount (Rs.)
8" Dia	11150	9,740/Meter	108,601,000
Any Other (Crossings etc)	05 No. major crossings (02 BRT & 03 NALLAH)		4,000,000
Grand Total			112,601,000

The above cost is based on Unit Construction Cost for the fiscal year 2019/2020. The balance amount of the above cost, if any, shall also be payable by you after execution of the job by the Company.

2. RLNG will be provided to individual consumers within the society subject to fulfillment of contractual formalities and deposit of security and service line charges.
3. Check meter may be installed at the inlet point for reconciliation of the volume of gas.
4. This pipeline will remain Company's property.
5. On receipt of the above cost, we shall make arrangements for procurement of necessary material and laying of network, which may take 12 to 18 months, subject to unforeseen circumstances.
6. Please also execute Gas Purchase Agreement on Rs. 100/- non-judicial stamp paper as per Annexure.



SUI NORTHERN GAS PIPELINES LIMITED

GAS HOUSE, 21 KASHMIR ROAD, P.O. BOX 50, LAHORE (PAKISTAN)

7. The balance amount of the above cost, if any, shall also be payable by you after execution of the job by the Company. The above cost is based on Unit Construction Cost for the fiscal year 2019/2020.
8. Any required NOCs from other government agency, to lay line in their land, shall be arranged by the applicant.

If the above conditions are acceptable to you, kindly return the enclosed duplicate copy of this letter duly signed by you in token of your concurrence latest by 30 days failing which the offer will stand automatically revoked.

Mean time assuring you of our best services and cooperation at all times.

Regards,

Sui Northern Gas Pipelines Limited


INCHARGE (BUSINESS DEVELOPMENT)
For Regional Manager (D)

N.O.O.

Cc: Regional IC of Accounts Section.

Cc: Regional IC of Development Section.



IN CONSULT (PVT)

ENGINEERING & MANAGEMENT CONSULTANTS

IC/19/355

August 17, 2019

Mr. Muhammad Atif
Project Manager Sialkot Tannery Zone
Sialkot Tannery Association (G) Limited (STAGL)
House # 5, Zeeshan Colony,
Kashmir Road, Sialkot
Phone: 0300-6135131

Subject: Chrome Recovery Plant at Sialkot Tannery Zone – Engineer's Estimate

Dear Sir,

This is with reference to the subject project and further to our letter IC/19/348 dated August 17, 2019. We are pleased to submit one hard copy of Engineer's Estimate for the subject project.

We hope this meets your requirement. We look forward to your usual guidance and support.

Best regards,

For IN Consult (Pvt.) Ltd.

Iqbal P. Sheikh
Chief Executive

Enclosed: Engineer's Estimate – 01 Hard Copy

80-AURANGZEB BLOCK NEW GARDEN TOWN, LAHORE - 54600 PAKISTAN
Tel: (042) 35832234, 35869560 Fax: (042) 35869561 Email: info@incon.com.pk
Website: www.incon.com.pk



SIALKOT TANNERY ASSOCIATION (G) LIMITED

CONSTRUCTION, SUPPLY OF PLANT EQUIPMENT,
INSTALLATION, TESTING, COMMISSIONING & TRIAL RUN
OF CHROME RECOVERY PLANT
AT
SIALKOT TANNERY ZONE, SIALKOT

ENGINEER'S ESTIMATE

July 2019

Consultants

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ESTABLISHMENT OF CHROME RECOVERY PLANT BUILDING AT STZ
ENGINEER'S ESTIMATE
SUMMARY OF COST

Item No.	Description	Scheduled Items	Non Scheduled Items	Total
A	i) Cost of Civil Works Building	12,932,910	1,768,375	14,701,285
	ii) Cost of Civil Works Tanks	3,227,811		3,227,811
	iii) Cost of Civil Works External	3,097,440	1,123,300	4,220,740
	iv) Cost of Civil Works Boundry Wall	1,972,155		1,972,155
	v) Cost of Civil Works Admin Building	1,053,733	394,275	1,448,008
	Total of Civil Works	22,284,048	3,285,950	25,569,998
B	Cost of Plumbing Works		1,998,750	1,998,750
C	Cost of Electrical Works	322,953	2,179,784	2,502,737
D	Cost of Plant Piping & Other Items		9,095,000	9,095,000
E	Cost of Process Equipment		43,392,000	43,392,000
F	Cost of Lab Equipment		3,200,000	3,200,000
	Total	22,607,001	63,151,484	85,758,485
	TOTAL COST			35,758,485

Mandatory Instructions for Tanners in Construction By-Laws of Sialkot Tannery Zone

1.1 Primary treatment of effluent within the tanneries and collection of sludge

Each tannery established in STZ is required to construct underground grit chambers for the retention of the effluent discharged from the tannery to allow temporary settlement of sludge and flow of supernatant from the tank/pit into the effluent channels. The agency responsible for the collection and disposal of solid waste shall collect the sludge from the grit chambers of the industries. STZ shall make available typical design for the grit chambers.

All industries are required to make the final disposal of effluent into the effluent drains. Any industry or entity found to be disposing effluent or hazardous material (including chrome liquor) into ground or through any other channel other than effluent drains shall be penalized as per rules and regulations.

1.2 Segregation of channels within the industries and collection of spent chrome liquor

Each tannery established in STZ is required to segregate the effluent containing chrome. The chrome liquor is to be collected in underground tanks, whereas the effluent without chrome is to be drained into the effluent channels through grit chambers. The agency responsible for the operation and maintenance of the Chrome recovery plant shall collect the chrome liquor from the underground tanks of the industries. STAGL shall make available typical design for the underground tanks.

1.3 Connectivity to Effluent Channels

The supernatant from the underground grit chamber from the industries shall be disposed-off into the effluent channel running along the roads of STZ. The sewage shall be directly disposed-off into the same effluent channel. The typical arrangement for connection of grit chamber to the effluent channel shall be made available by STZ for the use of members.

1.4 Installation of Flow Meters

STZ shall have full authority to install flow meters to monitor the usage of water, at the cost of member. One flow meter shall be installed on inlet of STZ water supply line and one flow meter on the water pumping system installed by the member within their premises. The industries shall be charged on the amount of water used from the STZ supply. The installation of meters and water usage charges shall be as per Schedule of Charges (SoC) provided in Annex-1, SoC-1 & SoC-2.

1.5 Tree plantation within and out of the industries

20% of the uncovered area within the industries must be used for tree plantation/vegetation by the allottees. The members must plant at least four (04) trees per Kanal land owned. However, tree plantation on the area outside boundary of the industries is the responsibility of STZ or party selected by STZ.

1.6 Compulsory & Optional Measures of Cleaner Production Practices

The industries/members shall make utmost effort to conserve resources, especially water and chemicals. The industries shall make effort to minimize the use of water and hazardous chemicals by adopting the cleaner production practices. STZ or their representative bodies shall help industries in identification of cleaner production practices and assist them in their implementation.



Recognizing the limited resources for Effluent Treatment Facilities and the associated treatment costs, it is desired that the maximum utilization of water for tanning must not exceed 20-25 liter per kg of leather processing. A reference cleaner production study is provided as Annex-2.

1.7 Development of Common Effluent Treatment Facilities

STZ, through funding agencies or their own resources, shall set up an effluent treatment plant at the location designated for these facilities. The capital cost shall be shared by STAGL and the funding agency; however the operation and maintenance cost shall be collected from the members/industries in form of treatment charges. The treatment charges shall be based on the water usage recorded on the flow meters installed on STZ supply as well as members own water pumping system. These charges shall be as per appropriate section of Schedule of Charges provided in Annex-1 SoC-4.

1.8 Development of Common Facilities

STZ has earmarked land for the following facilities:

- Common Facility Center
- Chrome Recovery Plant
- Fat Extraction Plant

Guidelines to Tanners on Cleaner Techniques in Construction By-Laws of Sialkot Tannery Zone

1. Water Management & Water Conservation

Following water management & conservation methods should be adopted by each tannery;

- a. Water meters should be installed at each main branch within the factory, i.e. separately for the beam house, tanyard, wet finishing, dry finishing, sanitary facilities etc.
- b. Installation of high pressures nozzles for high speed filtration and cleaning of floors, drums, equipment, etc.
- c. The practice of rinsing by continuous flow will be replaced by batch rinsing.
- d. Close inspection of installation, pipework and equipment for any losses and leakages.
- e. Recycling and Water Reuse Strategy

Float recycling will be implemented to reduce water consumption and/or improve the uptake of chemicals offered and thus the resulting hydraulic and pollution load; important precondition is that process parameters and consistence of leather quality are not affected. In practice, most frequently recycled floats are the second soak, lime liquors but mainly it is pickle and spent tanning floats.

- i. Part of the main soak will be reused for the "dirt soak".
- ii. Part of the second lime wash will be reused to start a new lime liquor; alternatively, it is used for the first wash.
- iii. Drained pickle float is used for pH adjustment of deliming liquors.
- iv. Drained pickle float will be reused for building up the new pickle (as a rule this process is started by adding salt and sodium formate, followed by first acidification with formic acid and (only if badly needed), the final pH is adjusted with sulphuric acid).
- v. Water from wetting back wet blue leather is mixed with freshwater for the next wetting back batch.

2. Segregation of various types of solid wastes



To facilitate more efficient handling/collection, (re)utilization and quality of by-products made during process, as well to maintain good hygienic conditions in the factory, it is essential to keep each type of waste separately according to following guidelines,

Category -1	Type of Waste	Segregation
Untanned Fractions	Trimmings	Container -1
	Splits	
	Fleshing	
	Hairs	Container -2
Category -2	Type of Waste	Segregation
Tanned Fractions	Wet Blue Trimming	Container -3
	Splits	
	Shavings	
	Dyed Trimmings	Container-4

3. Avoidance and monitoring of banned and/or potentially harmful substances

Considering the foreign buyers requirements, the content of some substances considered potentially harmful to human beings is severely restricted or banned. Some important are listed below and these should be avoided by tanneries to be housed at STZ,

- a) **Pentachlorophenol (PCP)**
This chemical, formerly used as a very reliable preservative, is classified as toxic for skin and very toxic by inhalation.
- b) **Hexavalent chromium (Cr⁶⁺)**
Potentially carcinogenic mostly for lung and nose through inhalation of dust containing this metal.
- c) **Free formaldehyde**
Classified as toxic for human beings by inhalation, mostly for children during the growing stage.
- d) **Forbidden aromatic amines**
Some aromatic amines resulting from cleavage of certain azo-dyes are considered or suspected to be carcinogenic. Procurement from reputable suppliers, who have discontinued production of suspected dyestuffs, is normally sufficient to avoid difficulties with forbidden amines.
- e) **Alkyl/phenol Etoxylates**
Alkyl/phenol Etoxylates (a group of detergents used extensively in tanning industry) but reportedly also some organophosphates and synthetic pyrethroid insecticides. Purchase of chemicals from reliable suppliers should be adequate safeguard in this respect too.

4. Desalting of wet salted hides and skins

The ultimate consequence of use of salts in preservation and leather processing is salinity (TDS) of tannery wastewaters. While the initial TDS remains unaffected by the usual treatment and TDS treatment technique like desalination – reverse osmosis (RO) is prohibitively expensive. Thus, due to the TDS content, even the



fully treated effluent (i.e. following the physical-chemical, biological and tertiary treatment) is unfit for irrigation and livestock watering unless diluted in large water bodies.

To reduce salt content in wastewater mechanical de-salting equipment like perforated drum or brush type mechanical machines are recommended. However it is mandatory to have manual desalting: DODECA wooden frame for each tannery.

i. **Manual desalting: DODECA wooden frame**

Raw stock is beaten three times on a wooden stool with a dome-like top frame. Four workers are needed to desalt hides; two suffice for smaller hides and skins. It takes about 2 hours to desalt one ton of raw stock.

5. Chrome Management

For an efficient chrome management within the tannery direct recycling of tanning floats is mandatory,

Direct recycling of tanning floats

There are many variations of this method, the simplest are shown graphically:

- (i) *Recycling of spent tanning float to pickling*
- (ii) *Separate recycling of spent pickling and tanning floats*

Using a simple recycling technique 90 % efficiency can be attained but the limitations are increased level of process control and build-up of excess liquor volume.



Establishment of Sialkot Tannery Zone Funding Arrangements & Funding Gaps										Annexure-C	
Sr#	Activity Description	Total Estimated Amount Rs. million	Funds Sponsor Agency / Sector	Status of Funding	Status of Activity	Funds Committed Rs. million	Funds Available Rs. million	Funds Utilized Rs. million	Gap in Funding Rs. million	Estimated time of completion	
1	Acquisition of Land	380	Govt of Punjab (EPD) = Rs. 292 million Private Sector (STZ members) = Rs. 88 million	Utilized	Completed	380	-	380	-	already completed	
2	Detail Designing & Preparation Tender (Boundary wall, Entrance gate, Roads, effluent & storm water channels, etc)	10	Private Sector (STZ members)	Utilized	Completed	10	-	10	-	already completed	
2	Boundary Walls	21	Private Sector (STZ members)	Utilized	Completed	21	-	21	-	already completed	
3	Main Entrance Gate	6.8	Private Sector (STZ members)	Utilized	Completed	6.8	-	6.8	0	already completed	
4	Climate & Social Assessment of Study	1	Intl. Donor(GEF-UNIDO) = Rs.0.5 million Private Sector = Rs.0.5 million	Utilized	Completed	1	-	1	-	already completed	
5	EIA Study of STZ	1.5	Private Sector (STZ members)	Utilized	Completed	1.5	-	1.5	-	already completed	
6	Construction of Stores for electrical & mechanical items at Site	2.6	Private Sector (STZ members)	Utilized	Completed	2.6	-	2.6	-	already completed	
7	Internal Electrification of Zone & External Electrification (connection with Existing Grid Station for Temporary Supply up to 5 MW)	70	Private Sector (STZ members)	Utilized	Completed	66	-	66	-	already completed	
8	Effluent & Storm Water Conveyance System	700	Federal Govt. (EDF) Rs. = 80 million Private Sector (STZ members) = Rs. 620 million	Utilized	Completed	700	-	700	-	already completed	
9	Detail Designing & Preparation Tender Documents for Common Effluent Treatment Plant	18	Intl. Donor(GEF UNIDO)	Utilized	Completed	18	-	18	-	already completed	
10	Environment Impact Assessment Study of Common Effluent Treatment Plant	0.65	Intl. Donor(GEF- UNIDO)	Utilized	Completed	0.65	-	0.65	-	already completed	
11	Civil Works of Common Effluent Treatment Plant	420	Federal Govt(EDF) = Rs. 320 million Private Sector(STZ members)=Rs. 70 million	Available	In-progress at Work Award Stage	390	EDF:280 + STZ: 70	-	-	September 2021	
12	Electro-Mechanical Works of Common Effluent Treatment Plant	378.5	Intl. Donor(GEF UNIDO) = Rs. 345.75 million Federal Govt. (EDF) = Rs. 33 million	Available	In-progress Tendering Stage	378.75	375.7	-	-	December 2021	
13	Sludge Disposal	30	Federal Govt. (EDF)	Available	Planning Phase	30	-	-	-	December 2021	
14	Segregation of useful by products of leather industrial waste, for further use by agriculture.	10	Federal Govt. (EDF)	Available	Planning Phase	10	-	-	-	June 2021	
15	Cost of running services for six months on experimental basis of CETP	40	Federal Govt. (EDF)	Available	after completion of CETP	40	-	-	-	December 2021	
16	Fresh Water Supply System	150	Private Sector (STZ members)	Available	Planning Phase	150	150	-	-	December 2021	
17	Internal Supply System of Natural Gas (within STZ)	120	Private Sector (STZ members)	Available	Planning Phase	120	120	-	-	December 2021	

Establishment of Sialkot Tannery Zone Funding Arrangements & Funding Gaps										Annexure
Sr#	Activity Description	Total Estimated Amount Rs. million	Funds Sponsor Agency / Sector	Status of Funding	Status of Activity	Funds Committed Rs. million	Funds Available Rs. million	Funds Utilized Rs. million	Gap in Funding Rs. million	Estimated time of completion
18	Techno-Economic Study, Detail Designing for Common Chrome Recovery Plant	0.4	Private Sector (STZ members)	Utilized	Completed	0.4	-	0.4	-	already completed
19	Waste to Energy Plant and Solid Waste Disposal	350	Federal Govt. (EDF) = Rs. 230 million Private Sector (STZ members) = Rs. 60 million	Available	Planning Phase	350	60	-	-	December 2021
20	Ancillary Buildings	172	Private Sector (STZ members)	Available	Designing	172	-	-	-	October 2022
21	Tree Plantation	0.5	Private Sector (STZ members)	Available	In-progress	0.5	0.2	0.3	-	October 2022
22	Human Capacity Raising Activities	10	Intl. Donor (GEF UNIDO)	Available	In-progress	10	0.6	0.4	-	October 2022
23	Internal Road Networks	630	Private Sector (STZ members)	Utilized	Partially Completed	320	-	320	310	June 2021
24	Establishment of Grid Station (21MW) Purchase of Land for External Poles Connection from Existing grid to STZ grid	430	Federal Govt. (EDF) = Rs. 200 million Private Sector (STZ members) = Rs. 30 million	Partially Available	Planning Phase	230	EDF: 200 + STZ: 30	131	200	September 2022
25	Supply of Natural Gas to STZ (external) from sambrial chowk to STZ site	112.601	Private Sector (STZ members)	Partially Available	Planning Phase	12.601	12.601	-	100	October 2021
26	Construction of Common Chrome Recovery Plant	80	Federal Govt. (EDF)	Partially Available	In-progress Approval Stage of Tender	40	40	-	40	September 2021
27	establishment of Common Training cum Facility Center	130	Federal Govt. (EDF)	Partially Available	Designing	30	30	-	100	December 2021
28	Implementation of Cleaner Protection Practices for facilitation of REACH Directive / Leather Working Group Protocols	250		Not Available	Planning Phase	-	-	-	250	October 2022
Total:						3491.801	1369.101	1659.65	1000	

***Note: Shifting of Tanneries in Sialkot Tannery Zone : Start from October 2020 to October 2022

* Note: The funds from the international donor (GEF) has been released and are available with project implementation partner (UNIDO) (CETP: Common Effluent Treatment Plant) (EPD: Environment Protection Department, Govt of Punjab.) (STZ: Sialkot Tannery Zone) (EDF: Export Development Fund, Ministry of Commerce, Govt of Pakistan) (REACH: Registration, Evaluation, Authorization and Restriction of Chemicals, regulation of the European Union) (GEF: Global Environment Facility) (UNIDO: United Nations Industrial Development Organization)



Proposed Composition of Program Delivery Unit (PDU) given in scheme tilted “Pilot/Demonstration Resource Efficiency & Cleaner Production Investments in key Industrial Sectors (PGDP / DLI-7)”

Name of Post & code	No. of posts	Salary
Project Director	1	350,000
Environmental Specialist,	2	250,000
Manager Credit	1	200,000
Manager Finance and Accounts	1	250,000
Manager MIS	2	70,000
Assistant Civil Engineer	5	70,000
Assistant Mechanical Engineer	4	70,000
Research Associate	4	60,000
Admin Officer	1	50,000
Assistant Manager Credit	10	45,000
Naib Qasid	2	20,000
Chowkidar	1	20,000
Sweeper	1	10,000
Driver	2	25,000
Total	37	

The World Bank
Punjab Green Development Program (P165388)

DUJ 7	Green Investments by Polluting Industries	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Text		30,000,000.00	0.00
Period	Value		Allocated Amount (USD)		Formula
Baseline	SMEs have limited technical and financial capacity for adoption of RECP technologies				
Prior Results				0.00	
FY19				0.00	
FY20	The Program has provided grant support to SMEs in at least 3 industrial sectors to pilot new RECP technologies and respond to Covid-19 impacts			16,000,000.00	US\$10m upon achievement of target and US\$3m for each additional sector
FY21				0.00	
FY22	SMEs supported by the Program have invested at least US\$3 million equivalent in Covid-19 responses and adoption of RECP technologies			9,000,000.00	US\$5m upon achievement of target and US\$1m for each additional US\$0.5 million invested
FY23	At least 100 green micro-enterprises are supported by the Program as part of Covid-19 responses of the Government of Punjab			5,000,000.00	US\$3m upon achievement of target and US\$1m for each additional 50 green micro-enterprises
FY24				0.00	
FY25				0.00	

Annexure-XV

TENTATIVE TIME LINE OF THE SCHEME TITLED “DEMONSTRATION PROJECT ON INDUSTRIES FOR URBAN CENTERS, RELOCATION OF TANNERY UNITS TO SIALKOT TANNERY ZONE AND ITS OPERATIONALIZATION”

Sr · No	Activities	July, 2020	August	September	October	November 2020	December, 2020	Jan,2021	Feb	March.	April	May	June, 2021	July 2021- June 2022				July 2022- June 2023				July 2023- June 2024			
														Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
July,2020- June,2024														Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Advertisement / Marketing																								
2	Provision of Sui Gas at the gate of STZ (External plus internal pipe line)																								
3	Establishment of Grid Station for electricity																								
4	Establishment of Chrome Recovery Plant																								
5	Purchase of IT Equipment																								
6	Purchase of office Equipment																								
7	Purchase of Furniture Fixture																								
8	Loaning to the applicants / Tanners																								
7	Monitoring , Evaluation and Recovery																								