January 2016

NEWS COVERAGE PERIOD FROM JANUARY 25TH TO JANURAY 31ST 2016

PIA WORKERS OBSERVE COUNTRYWIDE STRIKE

Dawn, January 27th, 2016

EMPLOYEES of the Pakistan International Airlines observed a countrywide strike on Tuesday against the proposed privatisation of the national flag carrier.

The employees kept the PIA offices closed throughout the day, but the management insisted that the flight operations remained unaffected and no revenue losses were incurred.

The Joint Action Committee of PIA employees had called the strike.

It said the protest would continue and there would be no “compromise” until the government took back its decision to privatise PIA, after the protesting employees were offered by the management to get the issue resolved through talks.

In Karachi, employees suspended regular work and attended protest which was part of the countrywide campaign called by the JAC – an alliance of different PIA workers unions – to resist the privatisation move.

“Our protest will continue till the withdrawal of the Pakistan International Airlines Corporation (Conversion) Ordinance, 2015,” said Capt Sohail Baloch of the JAC.

“We don’t accept any offer for talks from the PIA management which is being conveyed [to us] time and again. Our demand is very clear and straight. We don’t want privatisation at any cost — that’s it.”
In Lahore, employees staged a demonstration and PIA’s main Egerton Road office observed a complete strike.
A number of customers who visited the office had to return after the airline’s employees told them that work would remain suspended the whole day.

More than 100 customers visit the main office daily for booking and change of their tickets.

“I have come here for getting the date of my ticket for Dubai changed, but the employees are on strike for an indefinite period.

I am told by a protesting employee to go to Lahore airport as its office is open there,” customer Waheed Ahmed told Dawn. He said he was not sure if the employees at the airport would cooperate with him.

While PIA customers have alternative booking options such as online or through travel agents, they have to visit a PIA office in case they need to make any changes in their ticket.

The PIA employees said if the decision to privatise the airline was not withdrawn by Feb 2, they would suspend flight operations too.

“All the employees are united. The government backtracked on its commitment and we are left with only one option, that is to suspend the flight operations,” a protesting employee told Dawn.

In Rawalpindi, the main booking office remained partially closed and regular work at the airport’s facilities remained disturbed because of the strike.

The protest forced the management to change the venue for interviews for jobs in PIA’s security and vigilance department from the airport to Convention Centre.

A PIA spokesman claimed that the strike had not affected the airline's revenue and flight operations. He said that regular work at offices across the country suffered due to the strike call, as most of the facilities remained closed. In reply to a question about the warning of employees to bring the airline's operations to a standstill from the next week, he said the management had already made an offer to the JAC to resolve the issue through talks, but it was rejected by employees' representatives.

"We have also requested them to keep their protest away from flight operations and other key areas of the airline which will ultimately affect the passengers," he added.
http://www.pakistanpost.pk/2016/01/pia-workers-observe-countrywide-strike.html

SENATE COMMITTEE DISSATISFIED OVER PIA BRIEFING
Dawn, January 27th, 2016

AMIR WASIM

ISLAMABAD: Members of a Senate's special committee on Tuesday took notice of the absence of the PIA chairman and other senior officials in a meeting called for a briefing on the performance of the national flag carrier.

They expressed dissatisfaction over the briefing given by some PIA officials.

PML-N's Mushahidullah Khan, the convener of the 18-member Senate Special Committee on the Performance of Pakistan International Airlines (PIA), reprimanded the PIA management for what he called taking the committee's proceedings lightly. He said "such an irresponsible attitude will not be tolerated in future".

Rejecting the briefing, the committee comprising a number of political heavyweights has directed the PIA chairman to appear before it next month to give a comprehensive briefing on every department of the airline to the satisfaction of the members.
The members of the committee belonging to the opposition PPP, Muttahida Qaumi Movement (MQM) and the PML-Q, said that in the previous meeting they had put a number of specific questions before the PIA management and asked it to include them in the briefing, but they regretted that they had not got any reply on those questions.
Reading out the minutes of the previous meeting, Mushahidullah Khan said that the committee had called for a comprehensive briefing on all departments, including flight operations, marketing and passenger handling. However, he said, the members had found nothing new in the briefing. He said the committee was giving another opportunity and more time to PIA officials to come up with a comprehensive briefing.

PPP's Saeed Ghani was of the view that most of the information provided by PIA officials during the briefing was already available on the website.

Another PPP member, Sherry Rehman, termed the briefing "a total disappointment" and questioned the absence of senior officials of the PIA. "Why are they missing?" she asked.

"The level of information given to this special committee after three weeks of preparation is so flimsy that it looks as if opacity and non-transparency are a policy. No point holding such meetings at taxpayer expense, if answers are not given," she added.

The PPP senator said that she had asked for a lot of contractual material and business plans in good faith "but I am beginning to doubt the capacity and commitment of those in charge to take any process forward with democratic systems".

"If bulldozing bills is going to become the norm, our fledgling democracy will go back into the dark days of the 1990s, which will be unfortunate for Pakistan," she said in her apparent reference to the government's move to get the controversial PIA bill converting the airline into a company limited passed by the National Assembly amidst opposition's protest and boycott.

Kamil Ali Agha of PML-Q said that the thrust of the briefing was that the PIA had started improving on all fronts. He questioned the logic behind the policy of privatising the PIA, if things had started improving in the airline.

Talking to Dawn after the committee's meeting, Saeed Ghani said the opposition had been told that the PIA was presently handling only 24 per cent of the international passengers from the country whereas its share in the domestic passengers was 42 per cent.
Moreover, he said, foreign airlines were operating 101 weekly flights in a week in 2011 and the number had now increased to 390 flights per week.

Mr Ghani said the PPP had always been accused of making heavy recruitments in PIA whereas the official data presented to them showed that the number of employees had actually decreased during the PPP's tenure. He said there were 18,016 employees in the PIA when the PPP took over the government in 2008 and it reduced to 16,563 in 2013. At present, there are 14,847 employees in the PIA.

He said it was true that the employees to aircraft ration was higher in PIA as compared to other airlines, but the "employee cost per available seat per kilometre (ASK)" was only 1 US cent which was very low as compared to other international companies.

The special committee of the Senate had been formed by Chairman Raza Rabbani on a motion that had been moved by Azam Swati of Pakistan Tehreek-i-Insaf seeking a discussion on the performance of PIA.

http://www.dawn.com/news/1235696

PUNJAB GOVT'S MOVE: PINDI TEACHERS PROTEST PRIVATISATION PLAN
The Express Tribune, January 27th, 2016.

RAWALPINDI: A large number of schoolteachers on Tuesday staged a protest rally on Murree Road against what they called proposed privatisation of around 5,000 schools in Punjab.

The protesters claimed that through the privatisation of schools, the provincial government was sidestepping its responsibility to fix the broken education system at large, and address the grievances of the teachers in specific.

They said that if the government moved ahead with the proposed plan it would adversely affect the children studying at the public school as they would have to pay a tuition fee set by private administrators. Currently, public schools only charge Rs20 per month in education promotion fund and no tuition in the province.
The rally organised by the Punjab Teachers Union (PTU) was attended by a number of women teachers too.

The teachers started gathering outside the Rawalpindi Press Club at about 11am. A large number of teachers started marching towards the office of the executive district officer (EDO) schools situated near Committee Chowk.

The protest outside the EDO's office continued for about three hours before they dispersed peacefully.

The PTU representatives warned the Punjab government that if it proceeded with its plan to hand over selected schools to the Punjab Education Foundation (PEF), they would boycott the upcoming annual primary examination.
The PTU Rawalpindi Chapter Chairperson, Imtiaz Abbasi, while talking to The Express Tribune said that the provincial government had planned to gradually privatise 5,000 schools in the province. He claimed that 277 schools had been selected in Rawalpindi District alone.

Abbasi said that the provincial government would first hand over the schools to the PEF, and the foundation that would further hand over the schools administration to NGOs or individuals from the private sector.

He said that they held a meeting with Additional Secretary Schools Rana Akhtar but the government was not ready to reverse its decision.

The EDO Education, Qazi Zahoorul Haq, when contacted, said that the Punjab government had selected just 60 schools in Rawalpindi to hand over to the PEF. He said that it was a pilot project.

Haq claimed that the decision was made after those schools had shown zero per cent results. About future of the teachers, the EDO said that the government would transfer the teachers to other schools. He further said that the government would provide necessary training and time to the teachers of those schools to improve their performance. Haq said that the government would not hand over the land or the buildings of the selected schools to the private sector but just their administration.
http://tribune.com.pk/story/1034813/punjab-govts-move-pindi-teachers-protest-privatisation-plan/

ANTI-PRIVATISATION PROTESTERS CLOSE PIA OFFICES IN KARACHI
The News, January 28, 2016

KARACHI: Anti-privatization protesters at the Pakistan International Airlines on Wednesday kept the ticketing and other offices shut, gaining support from private oil tankers who vowed to cut supplies for the national carrier if the government does not scrap the planned sell-off.

The oil transporters have assured the airlines' employees on the second-day of their week-long strike that they would cease supplying jet fuel to the airlines from next Tuesday if the government does not withdraw its privatization plan.

"A delegation of the All Pakistan Oil Tankers Owners Association has assured (us) to cut off oil supplies to the airlines…if the demand to scrap the privatization plan of PIA is not accepted by the government then the oil owners association would also stop supplying oil to fuel pumps nationwide," said an office-bearer of the employees' Joint Action Committee against the airline's privatization.

Meanwhile, the protesters shut down the airline's training centre and booking offices nationwide. However, flight operations have not been disturbed, nor have they suspended work at the ticketing offices inside the airports.

The anti-privatization employees have warned they would suspend flight operations from February 2 if the government does not accept their demand of stopping the privatization process.

"The Pakistan Telecommunication Company Limited's officers association has also assured to participate in the road blockades when we make such plans," he said. He said the employees union of the Civil Aviation Authority (CAA) has also assured extending its full support to the airline's employees on strike.

"We can disrupt the entire flying operation with the support of air traffic controllers…we will not do so until the last minute of our first deadline ends on Monday," he said. The Pakistan Tehreek-e-Insaf has moved a bill in the Sindh Assembly, urging the provincial government to convince the Pakistan Muslim League-Nawaz government in the centre to stop privatization of PIA.

A delegation of the ruling PTI government in Khyber Pakhtunkhwa is scheduled to meet the protesting employees outside PIA head office today (Thursday).

"PIA has yet not been converted into a public limited company despite the National Assembly having passed the Pakistan International Airlines Corporation (Conversion) Bill, 2015…it is a must to hold the first board of directors meeting of the airlines to convert it into a public limited company.

The shutdown of offices nationwide is aimed at blocking the holding of the required board meeting," he said.
Meanwhile, delegations of the National Labour Federation, the National Bank of Pakistan CBA Union and the

Pakistan Telecommunication Company Limited's officers' association met the protesting employees and assured them to do their best to get the government agree to stop PIA's privatization.

He said no government official has yet contacted the protesting employees. "We have held a meeting with PIA chairman the other day. However, the meeting ended without any breakthrough," he said.
http://www.thenews.com.pk/print/94343-Anti-privatisation-protesters-close-PIA-offices-in-Karachi

NEWS COVERAGE PERIOD FROM JANUARY 18TH TO JANURAY 24TH 2016
PRIVATE SECTOR RETIRES RS96 BILLION IN A WEEK
The News, January 21, 2016

KARACHI: Private sector has retired Rs 96 billion against their loans from commercial banks during one week.

Data of the monetary aggregate released by the State Bank of Pakistan (SBP) showed that the credit to private sector fell to Rs 246.61 billion by week ended January 08 compared with Rs 342.57 billion for the period ending January 1. Sources in the banking industry said it was window dressing after the closing of financial year of banks that was on December 31. The sources said that for the period banks show their higher lending and deposits.

The retirement of loans in the first week of the year is seasonal factor, said a banker.

The credit to private sector, however, registered growth of 60 percent from Rs153.67 billion when compared with same period last year.

http://www.thenews.com.pk/print/92517-Private-sector-retires-Rs96-billion-in-a-week

NEWS COVERAGE PERIOD FROM JANUARY 11TH TO JANUARY 17TH2016
NO INTENTION TO PRIVATISE PIA: DAR

The News, 12 January, 2016

ISLAMABAD: Minister for Finance Muhammad Ishaq Dar on Monday categorically said the government had no intention to privatise the Pakistan International Airlines Company (PIAC) and rights of all stakeholders would be protected.

"In the entire world, national flag carriers are run as corporate entities. We are making efforts to make PIAC a vibrant and profit earning corporate entity in which its all matters will remain as it is," he told a meeting of the National Assembly's Special Committee on PIA.

He said no employee would be laid off, rather PIA would be transformed into a profit earning entity adding this was the intention of the government.
Senior PIA officials briefed the body about the performance of the national flag carrier and administration's efforts to improve its efficiency. The statistics presented in the meeting showed that PIA was running into loss and its liabilities were piling up.
As per the presentation, revenue for the year 2015-16 was expected to be around Rs91 billion as compared to the corresponding year's over Rs99 billion. Whereas operating expenses stood at Rs 87.217 billion and accumulated losses at Rs255 billion and liabilities at Rs320 billion.

The meeting was informed that the PIA fleet had been strengthened by inducting more aircraft on dry lease and presently 22 aircraft were operating on domestic routes and 27 on international destinations.

In 2015, the officials said PIA carried 2.9 million domestic and 1.4 million international passengers.

The meeting, chaired by Minister for Climate Change Zahid Hamid, was attended among others by Minister for Privatization Muhammad Zubair, Lt. Gen (retd) Abdul Qadir Baloch, Rana Tanveer Hussain, Anusha Rehman Khan, Jam Kamal Khan, Rana Muhammad Afzal Khan, Raja Muhammad Javed Ikhlas, Syed Naveed Qamar, Asad Umar, Iqbal Muhammad, Ali Khan, Sheikh Rashid Ahmad and Muhammad Ijazul Haq and senior officials of PIA.

The parliamentarians thoroughly discussed PIA's financial and administrative matters and underlined the need to improve its efficiency.

Minister for Privatisation Muhammad Zubair said despite strenuous efforts, PIA's losses and liabilities were continuously piling up.

http://www.thenews.com.pk/print/89765-No-intention-to-privatise-PIA-Dar

PML-N GOVT HIRED 1,000 WORKERS IN OVERSTAFFED PIA
The Express Tribune, January 12th, 2016.

Shahbaz Rana
ISLAMABAD: While harping on about overstaffing at the national flag carrier, the government has quietly recruited another 1,000 people in Pakistan International Airlines (PIA), taking its accumulative losses to Rs254.7 billion.
Last year alone, the PML-N government inducted 400 employees in PIA, according to a briefing given to the National Assembly's special committee on PIA privatisation. The PIA management and the Privatisation Commission told the panel the national airline added Rs27.8 billion to its losses last year.

The government has repeatedly blamed the previous regime for overstaffing the PIA. But the addition of 1,000 employees in its tenure puts the ruling party in league with the Pakistan Peoples Party, which recruited 1,435 people in the airlines in its last three years. The PPP, however, never hid its intentions of giving jobs to its voters.

During the tenures of both governments, the overall number of PIA employees has come down from 18,036 in 2008 to 14,847 by the end of 2015. Had the PML-N not given 1,000 more jobs, the number would have gone down below 14,000.

In its tenure, the PML-N has on average hired 1.1 employees per day as against the PPP's average of 1.3 per day during its last three years between 2010 and 2012.

The government has given these jobs at a time when it has committed with the International Monetary Fund of selling off the national flag carrier by June this year – a deadline it is more likely to miss.

On Monday, Finance Minister Ishaq Dar again tried to sell to the special committee the idea of selling the core business of PIA, which the PPP, Pakistan Tehreek-e-Insaf (PTI) and Awami Muslim League (AML) opposed.

Another startling fact that surfaced in the meeting was that PIA's market share drastically went down as the Civil Aviation Authority (CAA) granted landing rights to other airlines.

This led to a situation where despite 43% reduction in fuel costs and adding 20 new aircraft, the PIA suffered Rs27.8 billion losses during 2015, data shared by the PIA's chief finance officer (CFO) showed.
The PIA's market share going down drastically was termed a deliberate attempt by the opposition to destroy the PIA before its privatisation, as the PML-N government allowed additional 286 weekly flights to other airlines since coming to power.
In the past one year alone, the CAA has allowed 108 additional weekly flights, which is disturbing, said Asad Umar of the PTI. "The CAA is selling the national interests and I am not sure whether it is incompetency or someone is making money," he added.

AML's Sheikh Rasheed alleged a company owned by the PM's adviser on aviation, Shujaat Azeem, was providing catering service to 27 airlines. He suspected his role in giving away PIA's market share.

PIA Board Chairman Naseer Jafar claimed the impact of the addition of new aircraft on revenues would be visible next year. "No one can turn around the airlines in just one year."

http://tribune.com.pk/story/1025994/burgeoning-losses-pml-n-govt-hired-1000-workers-in-overstaffed-pia/

SENATE COMMITTEE TERMS SALE OF HEAVY ELECTRICAL COMPLEX SUSPICIOUS
Dawn, January 16th, 2016

KALBE ALI

ISLAMABAD: The sub-committee of Senate Standing Committee on Finance criticised on Friday the privatisation of Heavy Electrical Complex (HEC) and termed it a conspiracy to sell national assets at throwaway prices.

The sub-committee, headed by Senator Kamil Ali Agha, pointed out that there were several lacunas in the sale agreement with the Cargil Holding Company which had bought the HEC.

"There are serious flaws in the sale deed and we are bound to look at it with suspicions," Senator Mohsin Aziz said. He pointed out that there were several missing links in the sale deed, including the status of liquid assets or running assets, raw material, the procedure to determine the value of fixed assets like building and machinery etc.
He also expressed surprise over the fact that the company Cargil Holding had been set up on Dec 10, 2014, and the advertisement for the sale of the HEC was released on Dec 15, the same year and it made the matter more suspicious.

After a lot of questions, Privatisation Commission chairman Muhammad Zubair claimed before the committee that the country lacked interest from investors.

He said the sale of Pakistan Steel Mills had been stopped by the former chief justice Iftikhar Chaudhry in 2005-06 on grounds of alleged corruption and now the country had been bearing Rs1 billion loss a month for the PSM without any production by the entity.

Secretary of Industries Arif Azeem told the committee that there had never been any recommendation from his ministry for the sale of the HEC.

He said the issue had been taken up by the Privatisation Commission in 1997 and placed before the Cabinet Committee of Privatisation, and the prime minister of that time had approved the privatisation.

His statement was a bombshell for senators and Senator Kamil Ali Agha wondered that no department concerned recommended the HEC sale and still the Privatisation Commission came with the idea of the sale itself and proceeded with that idea.

Senator Mohsin Aziz said the situation was complicated and confusing and needed a thorough probe and debate.

"The project was initiated in 1992 and was built at an exorbitant cost, like most of public sector projects, then some officials and politicians injected surplus manpower into it and when the project was mature enough to start production, the government of the time or possibly the same prime minister who is now sitting in the PM House decided to sell it," Senator Aziz said.
At present, the Privatisation Commission is not clarifying its position before the parliamentary committees on the subject and it is also locked in litigation process with the Cargil Holdings Company on the matter.
The HEC privatisation process has been stalled as the matter is pending in courts.
http://www.dawn.com/news/1233362/senate-committee-terms-sale-of-heavy-electrical-complex-suspicious
DEMO AGAINST PROPOSED PRIVATISATION OF SCHOOLS

The News, 16, January, 2016

JHANG: Teachers staged a demonstration against the proposed privatisation of schools outside the press club here on Friday.

The protesters led by Punjab Teachers Union (PTU) district leaders Ramzan Inqalabi and Anwar Jappa said that the government must stop privatisation of public schools. They said that the status of teachers would decline further after the privatisation of schools.

They said that provision of education was the responsibility of the state but the government was avoiding the responsibility by privatising schools in the province.

Meanwhile, talking to newsmen, the PTU leaders said that the Punjab government was allegedly selling schools to the NGOs through the Punjab Education Foundation (PEF). They said that the teachers would protest against the privatisation at all forums.
http://www.thenews.com.pk/print/90735-JHANG-City-News

HEC SELL-OFF: SENATE PANEL UNCOVERS MASSIVE IRREGULARITIES
The Express Tribune, January 16th, 2016.
ISLAMABAD: A Senate panel investigating alleged wrongdoings in the failed privatisation attempt of the Heavy Electrical Complex concluded its probe on Friday, as fresh details emerged showing the net worth of the prospective buyer at Rs99,000.

During its last hearing, the sub-committee of the Senate Standing Committee on Finance had discussed the financial health of the bidder, the flaws in the diligence process and the government's claim of selling the HEC at Rs1.095 billion.
Pakistan Tehreek-e-Insaf Senator Mohsin Aziz observed, however, the documents shared by the Privatisation Commission (PC) showed the buyer Cargill Holdings Limited's net worth was Rs99,000.

A man named Saboor Rehman owns 90% shares of the company, contrary to the claim it is owned by the Cargill Progressive Group. Moreover, the firm was incorporated in Kenya just one day after the government had announced re-advertising the HEC privatisation.

The financial adviser hired for the transaction had valued the HEC between Rs1.2 billion and Rs1.5 billion. But the PC board approved to sell the entity at Rs250 million with a thin majority of five against four votes.

While the Cabinet Committee on Privatisation also endorsed the decision, the transaction could not materialise after the bidder's cheque of Rs225 million bounced.

"The sub-committee would give its recommendations to the main committee on Monday in light of the documents and the discussions," said the panel convener, Senator Kamil Ali Agha. The Senate Standing Committee on Finance has already hinted at referring the case to the National Accountability Bureau.

Azeem Hayee, the transaction manager of the HEC, claimed the bid was accepted on the financial health of the parent company Cargill Progressive Group. However, he could not catch the bidder had even submitted a fake web address, www.cargillprogressivegroup.com.

It is difficult to find out traces of the group on the website the company has mentioned in the documents.

Hayee was among those PC officials who were allegedly in contact with the bidder.

Senator Aziz determined the HEC's actual value was Rs1.62 billion with fixed assets worth Rs882 million and Rs736 million in current assets.

But PC Chairman Mohammad Zubair argued that determining the worth of the buyer was the job of the people involved in the due diligence process and the financial adviser.

He also contested the sub-committee's assertion the Cargill Holding Limited's net worth was Rs99,000, as the bidder had deposited Rs25 million in earnest money.
The special panel further unearthed the bidder's address was registered on a PO Box number in Nairobi.

Senator Aziz remarked ghost companies always operated on a PO Box number.

Senator Agha observed the PC also did not look into the tax records of the bidder.

While the PC chairman admitted the transaction was not "risk-free", he insisted the government had tried to strike a balance between the advantages and risks.

About the government's claim of selling the HEC at Rs1.095 billion, the sub-committee observed the government had treated the current liabilities as a part of its price, which, according to accounting rules, was not correct.

Against Rs435m of running finance loans, there were Rs736 million in current assets, therefore it was wrong to show them as gains from the transaction, said Senator Aziz.

Mohammad Shahzad, representative of Deloitte, the financial consultancy firm, seconded Aziz that current liabilities could not be accounted as part of the price.

http://tribune.com.pk/story/1028346/hec-sell-off-senate-panel-uncovers-massive-irregularities/

NEWS COVERAGE PERIOD JANUARY 4TH TO JANUARY 10TH, 2016
DESPITE PIA HITCH, TALKS WITH IMF APPEAR ON TRACK
Khaleeq Kiani, Dawn, January 5th, 2016

ISLAMABAD: Despite a couple of hitches, talks are due to begin in Dubai on Jan 26 for the tenth review of the $6.64 billion International Monetary Fund (IMF) bailout package for Pakistan.
A senior government official told Dawn that the government had missed a major benchmark for the upcoming review, since it was required to invite investors to bid for Pakistan International Airlines (PIA) by Dec 31, 2015.
In addition, the government was cautiously hopeful of achieving its end-December target for net domestic assets as the numbers continued to flow in and the situation became clearer after the year-end holidays. "This would be a key area to watch over the next couple of days because slipping on this count would require a waiver and invite the ire of IMF board members," he said.

Apart from these two issues, the government has met nearly all performance targets. More importantly, authorities have been able to meet power sector benchmark targets – both in terms of reducing line losses and bill collection – for end-December as required under the tenth review, even though the fund had been calling on authorities to move vigorously towards structural reforms in the power sector.

The official said the government had already "over-performed" on its tax collection target for the second quarter (Sept-Dec) following the imposition of Rs40 billion in additional tax measures in early October, a move that would continue to yield revenue over the year.

Officials said the government was also comfortable with the legal requirement of a gas price increase with effect from Jan 1, 2016 because of regulatory process. They said the Oil and Gas Regulatory Authority (Ogra) was still in the process of finalising its determination on gas price adjustment for end consumers after clearing a three-year backlog, completing its yearly determination for FY2012-13, FY2013-14 and FY2015-16.

It was in this background that Finance Minister Ishaq Dar chaired a meeting to oversee preparations for the upcoming review. The successful completion of talks is a condition for the disbursement of the next tranche of about $500 million.
An official statement said Finance Secretary Dr Waqar Masood Khan conducted an overview progress of various reform measures, including the status of actions relating to performance criteria and indicative targets.

"The minister expressed satisfaction with the second quarter results, as well as the overall progress made since the ninth review and directed that the positive momentum should be maintained for the remainder of the fiscal year," the statement said.
He said the reforms agreed under the programme had been helpful in achieving macroeconomic stability and the process should be accelerated so that the gains made during the last two and a half years were consolidated.
Following political pressure, mostly from opposition parties and workers' unions, the government had slowed down PIA's privatisation process, even though it had completed the legal formalities required to offload major stakes in the national flag carrier. The government has been extending deadlines for PIA's sale since December 2014.

The government has already delayed the sale of other loss-making entities – mostly in the power sector – in consultation with the IMF.

http://www.dawn.com/news/1230826

SINDH SEEKS 'ADEQUATE INFORMATION' BEFORE DEAL WITH CENTRE ON PSM
Hassan Mansoor, Dawn, January 5th, 2016

KARACHI: The privatisation issue of Pakistan Steel Mills has finally attracted the attention of the Sindh government but it has opted to wait till details of PSM assets and balance sheet arrive, officials said on Monday.
After several months of a letter written by the chairman of the Privatisation Commission of Pakistan to the Sindh chief minister, provincial minister for finance and energy Syed Murad Ali Shah wrote a reply making it clear that Sindh was not much enthusiastic about acquiring the gigantic PSM.
"[The] Sindh government has never approached the federal government for acquiring the strategic asset of Pakistan Steel Mills," said Mr Shah in the letter addressed to the privatisation commission as quoted by a government spokesman.
Mr Shah said in the letter that the offer made by the privatisation commission "could not be considered in the absence of adequate information".
He asked Islamabad to help the Sindh government in making a fair decision by providing necessary information of the assets.

Details about the PSM as requested by the Sindh minister include a balance sheet and financial statement of the last five years; a detailed list of its assets; and any transaction structure developed by the federal government for the PSM's privatisation highlighting the federal government's commitment to making the transaction viable for the buyer.

The Sindh government also wants to have a look at any strategy paper revealing in detail the nature of intervention the federal government intends to carry out to make this deal acceptable for the buyer. Besides, any tax policy which envisaged making the revival of the PSM attractive for the buyer and any plan for the revival of the PSM's operation.

Mr Shah also drew the attention of the federal government towards the constitutional and civil petitions wherein the Supreme Court of Pakistan's had observed that it would be in order if the matter (PSM's privatisation) was referred to the Council of Common Interests (CCI) for consideration.

He also urged Islamabad to share information with the Sindh government if it had taken this matter to the CCI.

Pakistan Peoples Party senator Saleem Mandviwalla stated last week that the Sindh government had responded to the letter written to it by the privatisation commission. He had claimed that the provincial government had shown interest in buying the PSM and asked the federal government to start negotiations to that effect.

In a statement last year Mr Shah had said that he did not know about the purchase of the PSM by the Sindh government as none of his departments had made any such proposal.

He had then made it clear that in case of privatisation the PSM's vast precious land would be "rightfully gone" to the provincial government.

http://www.dawn.com/news/1230770

CENTRE READIES PSM PRIVATISATION PROCESS
Fakhar Durrani, The News, January 05, 2016

ISLAMABAD: The government has finalised the transaction structure for the privatisation of Pakistan Steel Mills (PSM), which soon would be presented before the Council of Common Interests (CCI) for its approval, Privatisation Commission Chairman Muhammad Zubair has said.

Any further delay in taking a decision on privatisation of this public sector enterprise would cost the national kitty heavily, he said. The federal government has formally asked the provincial government if they are interested in buying the PSM, Zubair said. He was talking to The News exclusively.

"We sent a letter to the Sindh government in October but they have still not given any formal response. The federal government also contacted the Khyber Pakhtunkhwa government but Chief Minister Pervez Khattak said they are not interested in it," said Zubair.

He said the PSM was costing the federal government heavily with the passage of time despite all the efforts to revive the sick unit. The government appointed a professional Board of Directors (BoD) and initially it showed some improvement as at one stage the production of PSM reached 60 percent of its capacity. However, once the supply of natural gas was reduced, it started affecting the production and with the current liabilities and payable debts, it is very difficult to revive this sick unit.

"We have to decide what can be done but the government would have to own up the liabilities or any further delay in privatisation would increase the liabilities," commented Zubair.
Former finance minister, PPP's Senator Saleem Mandviwala, said the government was running the state affairs non-seriously. The Sindh government has shown an interest in buying the PSM but it was not possible until the federal government shows seriousness.

"We received a letter from the federal government about the privatisation of PSM. However, other than just informing that the federal government is intending to sell the PSM, no information has been provided. We are ready to talk with the federal government and the Sindh government would look into the terms and conditions before taking any decision in this regard," commented Mandviwala.

As per detailed audited accounts, PSM's net losses during 2008-09, 2009-10, 2010-11, 2011-12, 2012-13 & 2013-14 were respectively Rs26,526 million, Rs11,566 million, Rs12,434 million, Rs22,273 million, Rs28,648 million & Rs25,836 million respectively and Rs24,619 million in the year 2014-15 (unaudited) and Rs8,610 million from July 2015 to October 2015. The total losses thus add up to Rs160,512 million plus Rs159,000 million on account of liabilities till June 2015, making it a total of Rs319,512 million.

Total financial impact to PSM accounts was Rs365,512 million from July 2008 to December 2015. When referred about the current losses and liabilities of PSM, Zubair commented that the government is well aware of the financial conditions and this is the reason they have decided to privatise the unit.

About poor performance of the current management of PSM and its members of BoD, he said they could not be blamed as initially the PSM showed improvement and the production level also increased. But if there is no gas supplied to the mills, how could the management be blamed.

NNI ADDS: Sindh Finance Minister Murad Ali Shah has written to the Privatisation Commission that the province has never asked to get the strategic assets like PSM but if the Commission is making an offer, the province would like to look at financial and other necessary details before making a decision.

He drew the federal government's attention towards a Supreme Court order mentioning that the matter of privatisation of the Mills should be sent to the Council of Common Interest.

He wrote that the federal government should share with the province necessary details and it remains to be seen what decision the CCI takes on the matter if it is brought there.
http://www.thenews.com.pk/print/86546-Centre-readies-PSM-privatisation-process

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February 2016

NEWS COVERAGE PERIOD FROM FEBRUARY 22n TO FEBRUARY 28th 2016

PIA, PAKISTAN STEEL DIVESTMENT DELAYED BEYOND THIS FISCAL YEAR

Dawn, February 27th, 2016

ISLAMABAD: The transactions of state-owned entities, including Pakistan International Airlines (PIA) and Pakistan Steel Mills (PSM), under the privatisation programme have been deferred beyond this fiscal year.

This impression was gathered at the end of a presentation given to media by Privatisation Commission Chairman Muhammad Zubair on Friday.

The divestment of 26 per cent government stake in PIA and the strategic asset sales of PSM became highly politicised, dashing hopes for the privatisation of power distribution companies (Discos).

Mr Zubair said bids for the Faisalabad Electric Supply Company (Fesco) were received but the process has been delayed due to the unfriendly environment for privatisation.

The privatisation minister said the government was revisiting its strategy with respect to distribution companies.

Once the government has confirmed a strategy, a decision on the fate of the Fesco transaction would be made, Zubair said.

"We are trying to ensure a conducive environment for reinitiating the privatisation process," he told newsmen.

"We have taken all stakeholders on board. The work assigned to the Privatisation Commission has been done in a professional manner," he explained.
He added that PIA and PSM have been on the active list for decades.

The government had earlier informed the International Monetary Fund (IMF) that it would privatise ten public sector entities by the end of December 2016. Transaction of six of the entities had to be completed by the end of fiscal year 2015-16.

These include: State Life Insurance, Kot Addu Power Company, PIA, IESCO and Lesco and Mari Petroleum.
He refuted the notion that PIA assets would be sold cheap.

“Since the PIAC (Conversion) Bill 2015 is pending approval of the Senate, no formal transaction structure has yet been presented to the Privatisation Board and the CCOP for consideration and approval. However, segregation of PIAC core and non-core functions is under consideration,” Mr Zubair said.

It was explained that no valuation of PIA, its real estate properties or business segments has been conducted by the privatisation commission as yet. “As and when valuations are conducted, PC will ensure adherence to the international conventions on valuation,” he added.

Discussing PSM, the minister said that correspondence took place between the privatisation commission and the Sindh government but so far remained inconclusive.

The minister said that despite being provided complete access to PSM site and management, the Sindh government has not been able to provide a definite response to the offer in over four months.

From January 1991 to date, subsequent governments privatised 172 public sector enterprises at a total value of Rs648.6 billion. The highest number of transactions were completed between January 1991 and July 1993 during the first Nawaz Sharif government, fetching Rs12bn against 64 transactions.
http://www.dawn.com/news/1242152/pia-pakistan-steel-divestment-delayed-beyond-this-fiscal-year
NEWS COVERAGE PERIOD FROM FEBRUARY 8th TO FEBRUARY 14th 2016
PRIVATISATION TO BE ROLLED OUT AT GOVT COLLEGES ON TRIAL BASIS
The Express Tribune, February 8th, 2016.
Asad Zia
PESHAWAR: The Khyber-Pakhtunkhwa government is planning on privatising government-run colleges across the province.

A senior official at the higher education department told The Express Tribune the plan is to initially privatise select colleges in Peshawar and Mardan as a pilot project. Others would follow the same path in the next phase, he said. The K-P deputy secretary colleges also confirmed the development.

The official, requesting anonymity, shared the Directorate of Higher Education planned on privatising 109 government-run colleges across the province. He said nearly 25,000 students from middle-income families had enrolled in these colleges, while thousands of people were employed as teachers or staffers at these institutes.

The official said the department first decided to privatise all colleges, but later changed course to start with pilot projects. He said all the necessary documentation to start the process had been completed.

He said the main objective was to enhance the quality of education at the secondary level and also regularise the attendance of teachers and students.

All Khyber-Pakhtunkhwa Subject Specialists Association (AKSSA) President Salar Islam Tariq told The Express Tribune the government was creating certain issues even though the education system had seen an overall improvement.

Discussing the privatisation of higher education institutions, he said contractors would receive huge fees – a cost borne by students within their fees. This, said Tariq, would make it more difficult for many children to afford higher education. He alleged certain “elements were trying to impose privatisation with a hidden agenda to make money on the side.”

He believed the standard of education at government colleges was better than privately-run entities. About poor results at government colleges, Tariq said most talented students were snapped up by Islamia College and Edwardes College Peshawar. The remainder enrolled in the other government colleges.
He demanded the government not create further hurdles in the path of education and focus on improving standards in the province.

About the future course of action, Tariq shared, “Teachers at colleges and at the higher-secondary level have decided to oppose the government’s plans.” He warned of protests if the administration failed to withdraw this contentious decision.

He emphasised that implementation of this plan would result in higher education inching further away from the grasp of the financially disadvantaged. He believed it would have a detrimental effect on overall peace and harmony across K-P.

When contacted, K-P Deputy Secretary Colleges Habibur Rehman denied reports of all colleges being privatised, however, he confirmed the pilot project was in the works.

Rehman said the idea was to enhance the quality of education and boost both student and teacher attendance. To gauge its success, the privatisation plan would roll out under a trial basis at a few educational institutes. Rehman said, “The admission fee and other expenses would not increase and the same teachers would be retained.”

The director said certain people were against the project and were inventing claims about education becoming more expensive at the college level. He stressed the plan would not affect students other than improving attendance and the quality of education.

He pointed out currently students were not going to college regularly and teachers were not taking interest. However, under the new system, the college heads would be responsible for academic performance and would be able to take action against teachers and students who do not attend regularly.
http://tribune.com.pk/story/1042209/from-the-public-sector-privatisation-to-be-rolled-out-at-govt-colleges-on-trial-basis/
NEWS COVERAGE PERIOD FROM FEBRUARY 1ST TO FEBRUARY 7TH 2016
IMF AGREES TO DELAY PIA SELL-OFF FOR SIX MONTHS
The Express Tribune, February 4th, 2016.
ISLAMABAD: Pakistan and the International Monetary Fund have reached a staff-level understanding to delay privatisation of Pakistan International Airlines by about six months, allowing the government to review its policy that has drawn the opposition’s wrath.

The understanding was reached during the last round of Pakistan-IMF talks in Dubai, according to officials of the Ministry of Finance and Privatisation. The talks under the 10th review of Pakistan’s economy were the toughest among all rounds held over the last two years, they added.

The IMF staff has agreed to relax the condition of inviting expressions of interest (EoIs) from prospective bidders till May 15, said the officials who attended the talks in Dubai. However, the understanding is subject to approval of the IMF management and Executive Board, they added.

The IMF was extremely critical of the government’s failure to move ahead with privatisation deadlines of PIA, Pakistan Steel Mills (PSM) and Faisalabad Electricity Supply Company (Fesco), the officials revealed. This was despite the fact the Privatisation Commission had done the requisite technical work but transactions, particularly of Fesco, could not be carried out due to lack of political will.

The understanding was reached amid violent demonstrations by PIA employees which resulted in the death of two protesters on Tuesday. Due to the deteriorating law and order situation, the chief of the IMF mission in Pakistan, Harald Finger, cancelled his scheduled visit to Islamabad, the finance ministry confirmed.
Instead of continuing the confrontational strategy, Privatisation Commission Chairman Mohammad Zubair proposed that the prime minister set up a committee and immediately invite PIA union leaders to the negotiating table.
The government had lately engaged the PIA union through Senator Mushahidullah Khan but could not resolve the issue. The finance ministry also wasted over 10 months in building political consensus over the legal changes needed in the PIA Act before privatisation.

In February last year, the Privatisation Commission had come to know that the PIA Act had to be amended to transfer shares to prospective buyers. However, the finance ministry wasted precious time and promulgated a presidential ordinance at the eleventh hour, which was eventually struck down by the Senate.
Under a condition of the $6.2 billion IMF loan programme, Pakistan was bound to invite investors to participate in PIA's privatisation through media advertisements by December 31, 2015, and sell off the carrier by June this year. The officials said the June 2016 deadline would also be relaxed accordingly.

Pak-IMF talks are moving positively towards a conclusive stage, according to a brief statement released by the finance ministry on Wednesday.

The officials said May 15 would also be the deadline for showing progress on Fesco and PSM. The Ministry of Water and Power is a staunch opponent of the power sector privatisation while the government has offered PSM to the Sindh government.

The PIA privatisation policy remains ambiguous, as the government gave confusing messages to the political parties and the employees. Finance Minister Ishaq Dar has long been insisting the government was not privatising PIA but only looking for a 'strategic partner'.

The government's decision to declare the air service as an essential service also complicated matters, particularly at a time when the employees were already on the roads, said the officials.

Recent briefings by the PIA management to the National Assembly Special Committee on PIA Privatisation revealed that the national flag carrier suffered more because of giving landing rights to other airlines without ensuring a reciprocal treatment and a wrong marketing strategy.
Under its privatisation plan, the government has so far sold shares in five state entities, raising $1.7 billion. The Privatisation Commission has hired financial advisory consortium for due diligence of 16 state owned enterprises, including PIA, DISCOs and PSM. However, political handling of these transactions was making the issues complicated, said the officials.

http://tribune.com.pk/story/1040018/change-of-plans-imf-agrees-to-delay-pia-sell-off-for-six-months/

March 2016

NEWS COVERAGE PERIOD FROM MARCH 28th TO APRIL 3rd 2016

GOVERNMENT DOESN'T WANT TO PRIVATISE PIA: MINISTER

Business Recorder March 31, 2016
Finance Minister Ishaq Dar has reportedly assured parliamentary committee of joint sitting that the government does not want to privatise Pakistan International Airlines (PIA) but wants divestment of its share. Sources in the Finance Ministry told Business Recorder that the committee was informed on Wednesday that the government plans to divest its residual shareholding in the corporation.

They further stated the government also clarified that PIA Investment Ltd and its assets, namely Roosevelt Hotel (New York) and Hotel Scribe (Paris) are not part of the ongoing PIAC. The meeting was also informed that no formal Transaction Structure was so far presented to the Privatisation Commission Board and Cabinet Committee for consideration and approval

The government also maintained that Privatisation Commission has not yet conducted valuation of PIAC, its real estate properties and/or business segments. As and when valuations are conducted, Privatisation Commission will ensure adherence to the best international practices. While giving background, the officials of Privatisation Commission reportedly stated that Cabinet Committee on Privatisation (CCOP) had approved restructuring of PIAC, leading to Strategic Private Sector Partnership in core operations.

The objective of strategic partnership was to promote rapid development and modernise the PIAC through an injection of private sector capital, skills and technology to upgrade its operational and financial performance as well as to achieve improvement in performance and operational efficiency of various business segments/ units of PIAC.

Additionally, the objective was to enhance the value of government residual shareholding through much needed investments and up-gradation of PIAC by the strategic partner as well as to redefine the role of government from an owner-operator to that of a regulator whilst widening the ownership base of PIAC.

The Privatisation Commission stated that in Jan- Mar 2014, the process for hiring of financial advisor was approved by the PC Board for the restructuring and leading to strategic private sector partnership in PIA core airline operations and an Expression of Interest (EOI) was invited. A financial advisor consortium of M/s Dubai Islamic Bank, IATA Consulting, Deloitte, Haidermota BNR, Freshfields Bruckhaus Deringer, Abacus Consulting, APCO, and Prestige was appointed with the approval of PVC Board in July – October 2014 which recommended the conversion of PIAC, a statutory corporation functioning under the PIAC Act 1956, into a public limited company.

Financial advisors' consortium conducted the due diligence, covering various aspects of PIAC including commercial, legal, financial&taxation, human resource, operational & technical etc and accordingly to facilitate the conversion of PIAC, a draft bill was prepared by the government.

The matter is pending with Parliamentary Committee of the joint sitting for taking the opposition into confidence and Finance Minister gave a briefing to the committee on Wednesday. The Privatisation Commission reportedly stated that the process of PIA privatisation is at a standstill.
http://www.brecorder.com/top-stories/0:/30957:government-doesnt-want-to-privatise-pia-minister/?date=2016-03-31

NEWS COVERAGE PERIOD FROM MARCH 21st TO MARCH 27th 2016
PIA'S FATE TO BE DECIDED AT JOINT SITTING OF PARLIAMENT
Dawn, March 21st, 2016

Khawar Ghumman
ISLAMABAD: A crucial joint sitting of parliament that commences on Monday (today) will not only determine the future of Pakistan International Airlines (PIA), but will also set the tone for the two remaining years of this government's tenure.

Yet again, Finance Minister Ishaq Dar — who is Prime Minister Nawaz Sharif's point man — will attempt to take the opposition into confidence over the government's intentions regarding PIA, before the joint sitting on Monday.
Treasury and opposition benches have been sparring over the PIA bill since February, and it has twice been rejected by the opposition-controlled Senate. The government then put its majority in the National Assembly to use, getting approved the legislation that would turn the national airline into a public limited company.
The opposition has argued that by doing so, the PML-N government is paving the way for the airline's privatisation, a charge the government rejects by saying they are merely trying to improve the management of the debt-stricken flag carrier.

On Friday, National Assembly Speaker Ayaz Sadiq told the lower house that he would host the heads of all parliamentary parties in his chambers at 2pm on Monday to decide fate of bills placed on the agenda of the sitting. The speaker had said that only one bill regarding gas theft would be taken up on the first day of the session.

The government can, if it wants to, have the bill passed in a joint session through sheer strength of numbers. In a combined house of 446 members — 342 MNAs and 104 senators — the government's 187 MNAs and 25 senators give it a distinct advantage.

“Having convened a joint sitting, the government has made its intentions clear; the PIA bill will be passed, come what may. The only trade-off that the opposition can possibly squeeze in is the passage of the bills that were passed by the Senate but lapsed because the National Assembly didn’t vote on them within the mandatory 90 days,” said a PPP lawmaker who didn’t want to be named.

PTI MNA Asad Umar told Dawn the opposition would try to get clear-cut written assurances that by turning PIA into a public limited company, the government would not, in fact, be privatising its operations, or laying off its employees.

Separately, Senate Chairman Raza Rabbani has called a meeting of the house Business Advisory Committee on Monday, which is unusual ahead of a joint sitting of the house.

The purpose of the meeting is to discuss the procedure of convening a joint sitting of parliament, in the light of his own ruling of August 3, 2015.

In the ruling, the Senate chairman sought changes in the rules for convening a joint sitting. At the moment, the Ministry of Parliamentary Affairs moves a summary and on the basis of that, the prime minister advises the president to summon the session.
However, Mr Rabbani is of the view that on the issue of legislation, both the National Assembly speaker and Senate chairman should also have powers to call a joint sitting and their advice should be binding on the president.
http://www.dawn.com/news/1246937

GOVERNMENT TO START HEC PRIVATISATION PROCESS AFRESH
The Express Tribune, March 22nd, 2016.

ISLAMABAD: The Privatization Commission board on Monday allowed the government to start afresh the Heavy Electrical Complex (HEC) sell-off process after the previous deal collapsed, as the opposition seeks amendments to the privatisation ordinance to ensure greater accountability of bidders and commission officials.

The PC board authorised the commission to hire new financial advisers before inviting bids from prospective bidders for selling HEC, which manufactures transformers, according to officials. The board asked the commission to ensure better marketing this time aimed at ensuring healthy competition.

The financial advisers had originally priced HEC at Rs1.5 billion but the government sold it in return for Rs250 million in cash. On recommendation of the PC board, the Cabinet Committee on Privatisation (CCOP) approved HEC’s sale to Cargill Holdings Limited. However, the deal collapsed after the bidder failed to make payments.

On December 9, 2014, the PC board, for the fourth time, had given the go-ahead for inviting prospective bidders for the sale of HEC. A day after, a company with the name Cargill Holdings was registered in Kenya and it subsequently won the bid for only Rs250 million in cash.

A parliamentary panel that investigated the alleged wrongdoing has recently recommended to the government to refer the case to the National Accountability Bureau or the Federal Investigation Agency.
The PC board formally revoked the deal with Cargill Holdings, confiscating the Rs25-million earnest money. The commission has already registered an FIR against Sabur Rehman, the adviser of Cargill Holdings, as the Rs225-million cheque he submitted was dishonoured.
The privatisation of about 69 state-owned entities is one of the main pillars of the PML-N government’s economic manifesto. It has so far completed five transactions valuing over $1.7 billion during last two and a half years. All of them were relatively easy capital market transactions except for the strategic sale of National Power Construction Company.

The privatisation programme is almost at a halt now, as all big-ticket items like power companies, Pakistan International Airlines and Pakistan Steel Mills are waiting for the government’s decision.

Meanwhile, a joint session of parliament would take up an opposition-backed bill that seeks amendments to the PC Ordinance of 2000. The Senate has already passed the bill but the National Assembly did not take it up for voting within the constitutional limit of three months.

Former senator Sughra Imam of the Pakistan Peoples Party had originally moved the PC Ordinance Amendment Bill. After her constitutional term ended in 2013, another PPP senator Farhatullah Babar took up the bill. The opposition wants that it should be binding on every bidder to get a national security clearance certificate from the government and agencies concerned before evaluation of the bids by the Privatisation Commission.

The private-member bill also seeks a role for the Auditor General of Pakistan (AGP), proposing that after completion of every privatisation transaction the AGP should conduct post-privatisation audit.

Similarly, there was also a proposal that external auditors should also conduct the audit of such transactions to ensure transparency.

Former senator Imam had also proposed that buyers should not sell the privatised assets without prior permission of the federal government. She also sought greater role for the PC, suggesting that the commission should have the mandate to ensure that privatisation proceeds were only used for debt retirement instead of budget financing.

One of the contentious proposed amendments was that the federal government could launch an investigation into any privatisation transaction within 10 years of the completion of privatisation process.
Currently, the limit is one year and the government is in no mood to extend the threshold, as it would not like the next government to investigate its privatisation transactions.

There is another amendment pertaining to the disclosure of conflict of interests by the commission, staff or other employees, including advisers, consultants or their family members. The Senate passed this amended in January 2014 but it is unlikely to be tabled in the current joint session.
http://tribune.com.pk/story/1070181/failed-deal-government-to-start-hec-privatisation-process-afresh/

NEWS COVERAGE PERIOD FROM MARCH 7th TO MARCH 13th 2016
SALE OF STRATEGIC ASSETS
Dawn, Business & Finance weekly, March 7th, 2016

Ahsan Munir

PRIVATISATION is facing resistance because many are not convinced of its efficacy and benefits. Thus, a more unbiased view is required to analyse its purported benefits and effect on national interests before divesting large state-owned enterprises.

The incumbent government privatised many state enterprises in its last tenure. However, the privatisation process lacked transparency, benefitted only a few and resulted in emergence of cartels much to the detriment of national economy and the general public.

Also, it was not clear how the privatisation proceeds were used such as for retiring national debt or meeting government’s non-developmental expenditure.

A major issue, always ignored, is to consider is the point of human skills. Generally our private sector does not spend on human resource training and development and usually draws on large SOEs for trained manpower. Large SOEs are big reservoirs of various trade skills developed at government’s expense with taxpayers money.
No value is put on the tacit knowledge and expertise residing in large SOEs and their contribution to the national growth and job opportunities generated abroad.

One instance is Descon which benefited from trained manpower of Heavy Mechanical Complex. Similarly, Middle-East airlines engaged PIA-trained engineers, pilots, technicians and managers in their infancy. That large SOEs are a source of trained manpower, should be kept in mind while privatising them.

The private sector is mostly engaged in service industry. For instance, all mobile firms are service providers but we are not privy to their engineering capabilities.

Similarly, the large automobile assemblers (not manufacturers), who are making fat profits each year, have made very limited investment in local engineering capabilities.

Safeguards, if any in place, by the government against profiteering by the private sector were flouted with impunity during the recent PIA crisis, when the private airlines jacked up their fares.

While oil prices have fallen dramatically, we yet have to see any of its effect on the airline tickets, cement and other commodities of daily uses. Then, privatisation would inevitably lead to layoffs resulting in unemployment, so, how the government is proposing to deal with it is not known yet.

While the government is trying to sell the benefits of privatisation to the general public, it does not seem to be addressing the ill-effects of privatisation.

However, it needs to be accepted that public money cannot be squandered away on keeping loss-making large SOEs afloat, but the long-term national interests also cannot be overlooked.

Thus, a fresh approach has to be evo9lved for the benefit of general public, state SOEs and strategic national interests.

In the present world, the technological prowess of large SOEs should be protected and upgraded while their services may be privatised to reduce loss and improve efficiency and customer service.

For instance ticketing, catering and other customer services jobs of PIA may be privatised but its engineering capabilities should be retained and upgraded by the government.

However, to discourage cartelisation, an SOE may be sold to different companies so that there is no single owner. For example, ticketing segment of PIA may be divided into Karachi, Quetta, Lahore, Rawalpindi and Peshawar regions and sold to different companies.

Such a step would also ensure that buyer-companies are financially capable of upgrading their infrastructure, expanding and managing the business efficiently.

Further, privatisation should include a clause stipulating that a part of operating profits of the privatised segments of SOEs will go to the maintenance and upgrading of infrastructure.

This clause would ensure that customers get a fair deal for their money and the workers in the private unit get trained on latest technologies and techniques.

Thus, a part of the revenue collected by the privatised Discos should go to the maintenance and upgrading of transmission and distribution infrastructure.

http://www.dawn.com/news/1244103/sale-of-strategic-assets

NEWS COVERAGE PERIOD FROM FEBRUARY 29th TO March 6th 2016
PRIVATISATION PLANS CRUCIAL PART OF IMF BAILOUT
Business Recorder, March 05, 2016

The privatisation of 68 state-owned companies, among them loss-making enterprises such as PIA, is a crucial part of the 2013 IMF bailout and was meant to put the country's finances back on track.

The government has made some progress, for instance by raising more than $1 billion from the stake of its entire stake in Habib Bank Ltd, but has struggled to find buyers for most of the companies in the face of opposition from labour unions and other political parties.

The PIA sell-off required amending a 1956 law that barred private ownership of the national airline. Instead of an amendment, the government on December 5 issued a presidential decree to turn the national flag carrier into a limited company.

The move prompted bitter criticism from political opponents who accused the government of bypassing parliament by opting for a decree over an amendment that would require lawmakers to vote.

The ruling party then moved the PIA Corporation Conversion Bill 2015 in the lower house of parliament in January, where it passed.

On Friday, however, the Senate rejected the bill, with votes from the opposition Pakistan People's Party, which has a majority in the upper house. The PPP opposes the privatisation of PIA and Pakistan Steel Mills, saying they can be restructured and revived, rather than sold off.

http://www.brecorder.com/market-data/stocks-a-bonds/0/22614/

April 2016

NEWS COVERAGE PERIOD FROM APRIL 25th TO MAY 1st 2016

KAZAKHS STAGE RARE PROTEST OVER FARMLAND PRIVATISATION

Business Recorder, April 25, 2016

Hundreds of people held a rare public protest in the Kazakh oil industry hub Atyrau on Sunday against new regulations which they fear will allow foreigners to buy local farmland, although the government has said this would not happen.

The Central Asian nation whose area is roughly the same size as Western Europe amended its Land Code last year, aiming to speed up the privatisation of farmland which is now mostly leased rather than owned by farmers.

The amendments, due to take effect from July 1, allow the government to sell land to joint ventures, provided they are controlled by Kazakh residents. Land sales to foreigners remain barred but the maximum term of lease to foreigners is extended to 25 years from 15 years.

Critics see this as a threat to national security.

The activists in the western city of Atyrau were denied permission for the protest but staged the protest nonetheless, newspaper Ak Zhaik, which is based in Atyrau, reported.

The rally was also covered by private Kazakh website Tengrinews.kz and several activists posted photos and videos online. Tengrinews gave the attendance as in the hundreds, which was supported by the pictures and footage online.

The reports said regional governor, Nurlan Nogayev, addressed the crowd in Atyrau's central square, promising to bring up the issue with the central government and make sure the activists are not prosecuted.

There was no mention of the protest on the state news agency.

Public protests in Kazakhstan are illegal without preliminary approval from local governments, which activists say is routinely denied.

High oil prices in the past decade allowed the government of President Nursultan Nazarbayev, in power since 1989, to maintain relatively high living standards in the nation of 18 million which is the second-biggest exporter of hydrocarbons in the former Soviet Union after Russia.

But the drop in oil prices has hit Kazakhstan hard, forcing it to allow the local tenge currency to slide 45 percent against the dollar while economic growth is expected to be near zero this year.

http://www.brecorder.com/agriculture-a-allied/18:/39942:kazakhs-stage-rare-protest-over-farmland-privatisation/?date=2016-04-25

NEWS COVERAGE PERIOD FROM APRIL 18th TO APRIL 24th 2016

PROTESTERS WARN OF CLOSURE AS PQA SEES $9.6M ROYALTY COMING
Business Recorder, April 19, 2016

Ismail Dilawar

KARACHI: Monday marked the 15th day of a protest demonstration hundreds of dock workers are carrying out at Port Qasim against the privatisation of two berths at the port's Marginal Wharf.

While authorities at the ministry and port concerned appear to be completely indifferent to the potentially serious law and order situation, the "so-far-peaceful" agitation, the dockers warn, may anytime lead to (forced) closure of the country's second largest seaport.

PQA Chairman Agha Jan Akhtar doubts accuracy of the "exaggerated" figure, as labor leader Hussain Badshah claims to have been leading about 1,757 dockers protesting, since April 3, the privatization and ultimate conversion of berths number 3 and 4 into a coal terminal.

"This is the matter of life and death for us as our families, about 15000 souls, depend on these berths for their sustenance," Badshah, general secretary of Collective Bargaining Agent of Workers Union of Port Qasim, told Business Recorder.

From April 3 to 10, he said, the labourers had protested at Karachi Press Club and had then been staging a sit-in at National Highway near Port Qasim. "Hunger strike is the next step which we, the leaders of a seven-union coalition, would decide upon soon," the worker said.

Claiming to have the backing of politicians from PML-N and PPP, the labourer said while 9.5 meter draught at berths number 1 and 2 had practically rendered the two facilities worthless in terms of ship handling, the remaining 3 and 4 were being rented out by the PQA.

“Even at 3 and 4 ships of 45,000MT can be handled. They may like to dredge the berths or privatize 1 and 2,” he suggested. Badshah claimed that Dock Worker Registration of Employment Act 1974 provided the employment of dock workers at the country’s seaports. “Be it at Karachi or Port Qasim”.

“All the 1757 labourers have PQA-issued identity cards that we call Worthy Cards,” he said.

What seems alarming is the fact that PQA chief Agha Jan Akhtar tends to treat the issue with an “iron hand” and uses words like “Bhatta” (extortion) while referring to Karachi Dock Labour Board at Karachi Port. “I have been handling things here with an iron hand for last four years,” he told Business Recorder.

“At PQA we don’t have any KDLB or any law legalizing it. We are a landlord port having no labour,” the chairman maintained.

The retired civil serviceman, recently been contracted to stay on PQA’s helm for two more years, thinks more in financial than humanitarian terms while dealing with the matter, which certainly would lead to joblessness in the poverty-stricken country.

“The privatization of berths number 5, 6 and 7 to QICT fetches us Rs1.5 billion only on account of royalty. Other heads added, it is going to stand at Rs 5 billion this year,” Agha said.

Similarly, he said, PQA’s annual average income during last five years from the two controversial berths ranged between Rs 90 and Rs 110 million.

“Since port’s inception in 1970s these seven berths are there. The said four berths are so old that these would collapse if we dredged them,” he explained.

However, when rented out to, what Agha said, a power generation firm, the two berths are estimated to generate for PQA $9.6 million or Rs 1 billion yearly.

“Like $ 2.29 per ton at PIBT (Pakistan International Bulk Terminal), they would pay us $ 2.40,” he said adding the proposed coal terminal, apart from PIBT, would cater to at least four million metric tons of imported coal for at least 3620 megawatts coal-fired power generation plants: 1320MW of Sahiwal, 1200MW of Jamshoro, 660MW of Lucky Cement, 110MW of Fauji Foundation and 330MW of Siddique Sons.

“Now tell me, what is better for us, the 1700 workers generating Rs 110 million only or at least Rs 1 billion these two berths would fetch us post privatization,” the chairman asked.

Tuesday is likely to see some breakthrough in the weeklong standoff between dockers and port authorities as Badshah said he was scheduled to meet the tough-talking PQA chief.

http://epaper.brecorder.com/2016/04/19/21-page/752451-news.html

POWER SECTOR SOES: PRIVATISATION PROCESS HALTED WITHOUT TAKING PC INTO CONFIDENCE
Business Recorder, April 22, 2016
Mushtaq Ghumman

Prime Minister Nawaz Sharif has halted the privatisation of power sector State Owned Entities (SOEs) without taking the Privatisation Commission (PC) on board and thereby wasted Rs 1.6 billion on hiring the services of Financial Advisors (FAs), official sources in PC told Business Recorder.

Giving the background, the sources said, pursuant to the decision of the federal government, PC is currently running the process of privatisation of 14 State Owned Entities (SOE) including nine Distribution Companies (Discos) and five Generation Companies (Gencos). Accordingly, Financial Advisors (FAs) were appointed for all the 14 power sector entities.

It may be noted that PC has been undertaking the transactions in close co-ordination with all the key stakeholders including Ministry of Water and Power, Finance Division and management(s) of the power sector SOEs.

The sources said, due diligence of the entities is under process and in most cases had already reached an advanced stage by November, 2015. In the case of Faisalabad Electric Supply Company (Fesco) transaction, Expression of Interests (EoIs) from investors were floated on November 2, 2015 but the repeat advertisement was not placed as the Ministry of Water and Power had conveyed to the PC that the Prime Minister has directed to withhold it till further orders.

In the meantime, seven local and international parties had submitted their EoIs in order to participate in the privatisation process of Fesco and had deposited $10,000 each with PC in this regard.

In November 2015, Prime Minister had constituted an inter-ministerial committee under the chairmanship of the Minister for Water and Power, comprising of Ministers for Finance, Overseas Pakistanis had Human Development, Labour and Chairman Privatisation Commission as members to negotiate with the power sector labour unions.

It was revealed by the Minister for Water and Power during a meeting that, under theorders of Prime Minister, the privatisation process for all the Discos and Gencos is to be stopped with immediate effect. This message has also been conveyed to the Secretary Privatisation by the Secretary Water and Power. However, PC has received no written confirmation of instructions, the sources continued.

Ministry of Water and Power had also issued a letter to the Fesco management under intimation to PC on January 15, 2015 wherein the Fesco transaction regarding filling of the review motion for the Multi- Year Tariff (MYT) to Nepra which was the most critical part of the transaction and management was instructed not to approach PC or the financial Advisor for Fesco. At present, Fesco transaction process is on halt and the demand is for immediate clear guidance from the Ministry of Water and Power.

The sources further stated that the PC has conducted an internal review of all the current Financial Advisory services Agreements (FASs) and is of the view that an urgent decision is required on the fate of power sector transactions which involve a financial cost of around Rs 1.64 billion.

PC, sources said, is of the view that in addition to the financial impact, halting the programme at this advanced stage may also serve as a deterrent for potential investments in the country as it would be taken negatively by both the international and domestic investors.

“In case the privatisation process for the power sector SOEs needs to be halted, it would be imperative to cut down on the FASA fees,” the sources said.

Accordingly, PC has proposed to the Ministry of Water and Power to take due-diligence process for all SOEs to the stage of transaction structure and approval of the due diligence reports/ deliverables by the financial advisory consortium.

PC is of the view that this will be beneficial in terms of the following:(i) develop institutional memory of the PC and the various stakeholders including the line Ministry; (ii) the data can be utilised for restructuring of the SOEs; (iii) fulfilment of the legal and financial commitment of PC/ GoP on a uniform yardstick; and (iv) enable quick re-initiation of privatisation process in future.

The sources said PC has sought confirmation of the instructions to halt privatisation of all nine Discos and five Gencos for which PC has entered into FASAs.

http://www.brecorder.com/top-stories/595:/38803:power-sector-soes-privatisation-process-halted-without-taking-pc-into-confidence/?date=2016-04-22

NEWS COVERAGE PERIOD FROM APRIL 11th TO APRIL 17th 2016

THE PIA BILL
The Express Tribune, April 13th, 2016

After a prolonged delay, punctuated with rifts, protests and even unfortunate deaths, parliament has approved a bill to convert PIA into a public limited company. The move came after the government and the opposition, in a rare occurrence, reached a consensus on the future course of the national airline. Management control will continue to rest with the government, which will not hold less than 51 per cent stake in the carrier and its subsidiaries, putting to rest all those concerns that were grounded on PIA being a national identity and needing to be rescued instead of being sold off.

In return, the government has given its word that action against employees who led the charge during protests against privatisation would be spared, a demand the opposition remained adamant on during the joint session of parliament.

This is a welcome development given that after months of agitation, the government and the opposition seem to have come on the same page. The crux of the issue, however, will have to be resolved now.

The reason why PIA’s privatisation was being pursued in the first place was due to its loss-making nature. Constant decline in profitability, consistent bailouts and a mountain of debt have meant that the national airline has carried a heavy load over the past few decades. Poor service quality, nepotism, corruption and flawed short-term measures have all contributed to the airline going downhill.

So when the government says that it will keep management control with itself, we are inclined to believe that the future course of the airline will not take a dramatic turn for the better. Instead, we see money being raised by selling off a minority stake, which is unlikely to attract a lot of investors unless improving corporate governance of PIA becomes a priority in letter and in spirit.

The Bill aims to do that and we hope that it is implemented because all this would amount to nothing if restructuring within the airline does not take place. If the sole purpose of this entire exercise becomes only to raise money to reduce the fiscal deficit or finance the budget, the main goal of turning the airline around by eliminating corruption and improving its management practices will remain unachieved.

http://tribune.com.pk/story/1083493/the-pia-bill/

NEWS COVERAGE PERIOD FROM APRIL 4th TO APRIL 10th 2016
TRAIN UNDER PUBLIC-PRIVATE PARTNERSHIP PRIVATE BIDDERS CRY OUT FOR ‘FAIR PLAY’
Dawn, April 4th, 2016

LAHORE: Private companies submitting bids for the operation of another passenger train under the public-private partnership have accused the Pakistan Railways of favouritism.

Of the 13 firms purchasing bid documents after paying non-refundable Rs20,000 each, only seven submitted technical and financial bids, an officer of the Pakistan Railways commercial wing told Dawn on Sunday.

Representatives of these firms lodged protest with the railway officers supervising the process when PRACS (Pakistan Railways Advisory and Consultancy Services), a subsidiary of the PR, did not deposit 5pc advance earnest money of the benchmark.

Deputy Chief Marketing Manager Ali Rizwan Rizvi, Deputy Chief Commercial Manager Naveed Mubashir and Deputy Chief Operating Superintendent (Goods) Sufian Dogar after failing to convince the protesting representatives announced constitution of a committee to redress the grievance.

Quoting the Public Procurement Regulatory Authority (PPRA) rules, representatives of private firms argued that PRACS stood disqualified for not depositing the earnest money.

A PRACS representative was of the view that being a subsidiary of the PR, his company enjoyed exemption from depositing earnest money.

Representatives of the private firms told Dawn that PRACS had been operating Hazara Express from Feb 15, 2006, while paying a lump sum amount of Rs332.850 million annually or Rs911,918 per day round trip plus 60pc of profit share per annum.

A representative (of private firms) told Dawn that keeping in view the present ticket fares, the 100pc value of running Hazara Express comes to Rs2,780,280 per day. "However, PRACS is paying Rs911,918 daily which is 33pc of the earning. PRACS had been using PR infrastructure without paying anything and getting free utility services. PRACS is not liable to pay general sales tax (GST) or withholding tax (WHT) to PR and not required to make investment for value additions.

"The successful contractor will pay 27pc GST and WHT in advance, rental charges for booking counters at all 44 stations of trains and parcel godowns/offices and utility bills. He will also invest maximum amount on value additions which will be property of railway on expiry of the contract. He will keep sufficient booking or reservation, ticket checking, supervisory and managerial staff. This is nothing but favouritism," said the firm representative.

http://www.dawn.com/news/1249869/train-under-public-private-partnership-private-bidders-cry-out-for-fair-play

PRIVATISATION PROGRAMME
The Express Tribune, April 4th, 2016.

The IMF has admitted that Pakistan's multi-billion dollar privatisation programme has "faced setbacks" and that the entire situation is "fluid", a statement that comes after months of failed attempts on the part of the government to take the process forward. Several companies were on the list of privatisation, categorised across capital market transactions and inviting strategic private partners.

The government's first failed attempt was in trying to float the shares of OGDCL, but tumbling oil prices meant that investors' interest was minimal. It managed to sell its stakes in profitable banks, but privatising power distribution companies and other state-owned entities has remained problematic. The Pakistan Steel Mills and PIA also present a unique set of challenges, which brings the issue down to politics and this is where the problem lies.

The IMF's statement is just one step away from stating that the privatisation programme has failed and, given that there are less than five months remaining in the completion of the $6.2 billion Extended Fund Facility, no notable progress can be made in the time left.

The point of privatisation was not just to sell stakes in profitable companies to raise money that would eventually go into debt servicing. It was meant to reduce the burden on the federal budget that is tapped every time a problematic and loss-making entity needs a bailout to keep itself afloat.

The plan was simple — restructure and reform the entity to the extent that it reduces its losses or becomes attractive enough for a prospective buyer. In its communications with the IMF, the government has maintained its stance, apprising the lender of its constant progress on the privatisation front.

We admit that some progress was made. But this has not been enough to achieve any tangible success on ground. Power distribution companies may have reduced their losses, but circular debt is piling up again. Bill recovery in the power sector is still problematic and inefficiency prevails.

The IMF bailout may have helped Pakistan avert a balance of payments crisis, but deep-rooted structural issues are yet to be resolved. All this begs the question: what was the actual purpose of the so-called privatisation programme when the government failed to well and truly reform any state-owned entity?

http://tribune.com.pk/story/1078151/privatisation-programme/

OPPOSITION UNITED AGAINST PIA PRIVATISATION
The Express Tribune, April 6th, 2016.

Riazul Haq

ISLAMABAD: The opposition has decided to take a unified stand on the finalisation of the amendment draft of the controversial Pakistan International Airlines (PIA) bill ahead of bipartisan meeting to be held today.

On Tuesday, three members from opposition parties — Muttahida Qaumi Movement (MQM), Pakistan Peoples Party (PPP), and Pakistan Tehreek-e-Insaf — had an informal meeting at the residence of the member of the National Assembly and the joint committee Syed Naveed Qamar. PPP's senator Saeed Ghani and MQM's Farooq Sattar met to finalise the recommendations, while PTI's Asad Umer was in contact through the phone.

"We have taken a unified stand against the proposed privatisation of the PIA bill and see how the government responds to it," said Qamar.

The bill has been a bone of contention between the government and the opposition. The opposition had forced the government on March 22 to defer the passage of the bills for three weeks. Meanwhile, a 10-member bipartisan body was formed to sort out the differences. The joint sitting of parliament is slated for April 11 where the bill would be presented for the passage.

Finance Minister Ishaq Dar had assured the opposition on March 29 that the government had no intention to hand over the management of the PIA to shareholders, but it only wants to help the national flag carrier back on its wings again.

http://tribune.com.pk/story/1079500/opposition-united-against-pia-privatisation/

May 2016

NEWS COVERAGE PERIOD FROM MAY 23rd TO MAY 29th 2016

PAKISTAN TO START 'SOFT-MARKETING' STATE AIRLINE SALE IN JUNE

Dawn, May 24th, 2016

LONDON: The government will begin the marketing process next month to sell a 49 per cent stake in Pakistan International Airlines (PIA) and plans to list shares in several power utility firms this year, privatisation minister Mohammad Zubair said on Monday.

"We are going to start the soft marketing in June," Mr Zubair told Reuters, in an interview on the sidelines of an investment conference organised by Renaissance Capital.

“We have to understand the market, and what the market is looking for,” he added. “We are looking for another investor, it could be an airline but doesn’t have to be, but we are just looking for one.”

Prime Minister Nawaz Sharif made the privatisation of Pakistan International Airlines (PIA) a top goal when he came to power in 2013.

Parliament adopted a law in April to convert PIA into a limited company but it prevented the government from giving up management control.

Mr Zubair said this clause would apply only for a two-year period, after which the government could sell the whole stake.

The privatisation of 68 state-owned companies, including loss-making enterprises such as PIA, Pakistan Steel Mills and power distribution companies, is a major element of a $6.7 billion International Monetary Fund package that helped Pakistan stave off a default in 2013.

Fierce resistance to privatisation by opposition parties and labour unions has made the programme politically sensitive.

The power firm privatisations had appeared to have stalled, but Zubair said they would go ahead this year. The government plans to list shares in 10-20pc of each firm on the domestic stock exchange, making the firms more transparent and accountable.

CHINESE INTEREST: He said shares in the Faisalabad Electricity Supply Company Ltd would be floated in November, followed by the sale of shares in the Lahore and Islamabad power utility firms.

On the stalled privatisation process of Pakistan Steel Mills, Zubair said he hoped the government would agree to restart the marketing process in earnest in the next few weeks.

“We are asking if they need anything else to take that decision, we want to make sure they have nothing to complain about when the cabinet committee meets after June 10 and takes the decision to restart the marketing,” he said.

“It will happen eventually. Of course it presents a huge challenge,” he said, adding he had kept in touch with Chinese companies which had expressed interest.

He added that the sale of SME Bank Ltd was expected to be completed by year-end, and that of Telephone Industries of Pakistan by March 2017. He did not say how much the government expected to raise from these transactions.

With elections due in 2018, Zubair said he hoped the benefits of completed deals would soon become apparent and soothe opposition to future privatisations.

“It would be far, far easier if there would be no political opposition,” he said. “Because of the political implications, because of the employees’ resistance, it is not that simple for any government to push through, and as we come near 2018 it will become more and more difficult.”

http://www.dawn.com/news/1260211

NEWS COVERAGE PERIOD FROM MAY 9TH TO MAY 15TH 2016
PRIVATISATION CONTINUES
Dawn, May 10th, 2016

IN the approaching twilight of its term, the government is reportedly trying to resume the push towards privatisation.

But a lurking danger now is that the government may have given contradictory assurances to various stakeholders in the process.

Last month, opposition members in parliament were assured that there would be no privatisation of PIA, for instance, and that the airline's management would remain with the government.

In return, the opposition extended its support for the bill to transform the legal status of PIA.

But only a month before the joint sitting of parliament that passed the conversion bill, the government had assured the IMF that "we remain committed to move ahead with seeking strategic private-sector participation in PIA". In return for that assurance they obtained the release of the tranche.

Now comes the time to deliver on both promises, ie to keep PIA management in government hands while seeking 'strategic private-sector participation' in the airline. It is anybody's guess what game plan Finance Minister Ishaq Dar has for this feat. His speech before the joint sitting of parliament on April 11 was the moment he ought to have outlined the path forward that he has in mind. But there was nothing in his remarks to indicate how he intends to move ahead.

The forthcoming budget presents him with another opportunity to tell us what the game plan is, and if he once again fails then the conclusion will be that he has none and is only appeasing every camp in order to buy more time and keep the dollars flowing from successive IMF tranches.

The same is true with the commitments given regarding Pakistan Steel Mills, where the government had committed to wait until May 15 for a response from the Sindh government on whether or not it wishes to take control of the beleaguered enterprise.

Failing an affirmative response, the government committed to the Fund that it would proceed with the approval of the transaction structure for privatisation.

But now we hear that it has decided to wait till June 10 for an answer. Clearly, the original deadline meant little.

Given that the government has only one full fiscal year left in its term, the timeline for privatisation appears more and more unrealistic. It is up to the finance minister to dispel the growing scepticism.

https://www.dawn.com/news/1257333/privatisation-continues

OUT ON STREETS: TEACHERS PROTEST 'PRIVATISATION'
The Express Tribune, May 11th, 2016.

Shamsul Islam

FAISALABAD: The Punjab Teachers' Union (PTU) on Tuesday staged a protest demonstration against what it called the privatisation of educational institutions.

The protesters carrying banners and placards gathered at Zila Council Chowk. They later marched on various city roads. The rally ended at Clock Tower Chowk, where they also staged a protest sit-in.

Addressing the protesters, PTU central president Allah Bux Qaisar said that the government had decided to privatise more than 5,500 educational institutions across the province. "This decision will prove a major blow to students from lower and middle classes," he said.

Qaisar said that the PTU would not allow privatisation of educational institutions. “The PTU will take every possible step to save our schools from falling into the hands of the private sector,” he said.

He said the government should immediately withdraw the decision. “Otherwise, the teachers’ community will launch a province-wide protest movement,” Qaisar said.

He said that the government should promote grade-14 teachers to grade-16 and grade-16 teachers to grade-17. “If the government does not accept PTU’s demands, we will stage a sit-in in front of the Chief Minister’s House in Lahore,” he said.

PTU Punjab vice president Azhar Behzad, district president Rana Naseer Ahmad, senior district vice president Muhammad Hussain and other union leaders were also present on the occasion.

http://tribune.com.pk/story/1100992/out-on-streets-teachers-protest-privatisation/

June 2016

NEWS COVERAGE PERIOD FROM JUNE 20TH TO JUNE 26TH 2016

PRIVATE PARTIES TO RUN THREE EXPRESS TRAINS

Dawn, June 20th, 2016

LAHORE: Pakistan Railways authorities have finalized arrangements to run three express trains under the public-private partnership while the handing over of commercial management of another mail train to successful bidder has been deferred for want of coaches.

In response to an advertisement appearing in national dailies, 10 private parties have bought the bid documents for outsourcing the commercial management of Bolan Mail, Hazara Express, Khushhal Khan Khattak Express and Fareed Express.

The bids were evaluated and three parties were declared successful for operating Bolan Mail (3-Up/4-Down) between Karachi and Quetta, Hazara Express (11-Up/12-Down) between Karachi and Havelian, Khushhal Khan Khattak Express (19-Up/20-Down) between Karachi and Peshawar while Fareed Express (37-Up/38-Down) between Karachi and Lahore, a source at railways’ headquarters here told Dawn on Sunday.

Under the public-private partnership, Bolan Express and Khushhal Khan Khattak Express each would have 15, Hazara Express 17 while Fareed Express 16 coaches.

“The chief marketing manager (CMM) requested the chief operating superintendent (COPS) to provide rake — passenger coaches, power and brake vans – for handing over to the successful bidders.

The COPS agreed to provide rake for Khushhal Khan Khattak Express to PRACS (Pakistan Railways Advisory and Consultancy Services), a subsidiary of the PR, from July 15; for Hazara Express to M/s Jamil and Company from Aug 14; for Fareed Express also to M/s Jamil and Company from Aug 21,” said the source.
The COPS conveyed to the CMM that the rake for Bolan Mail was ‘under maintenance’ at Mughalpura Workshops, so a date could not be decided for its handing over to successful bidder M/s Hakam Jiskani, said the source.
http://www.dawn.com/news/1265966

JULY-MAY: GOVT OUTPACES PRIVATE SECTOR IN BANK CREDIT UPTAKE
The Express Tribune, June 23rd, 2016.

Karachi: The government sector continued to dampen the private-sector credit uptake in the first 11 months of 2015-16, latest data released by the State Bank of Pakistan (SBP) shows.

Banks' credit to the government sector amounted to Rs6.3 trillion at the end of May, up 19.3% from the beginning of 2015-16. In contrast, growth in bank loans to private-sector businesses stood at just 7.9% over the same period, SBP data shows.

This means private-sector credit uptake in Jul-May grew at a pace that was less than half the growth rate recorded in the banks' credit to the government sector.

Outstanding loans to private-sector businesses amounted to Rs3.2 trillion at the end of May. This equals to only 25.7% of total outstanding credit in the economy. In contrast, banks' loans to the government constitute nearly 50% of the total outstanding credit in the economy.

An increase in loans acquired by private-sector businesses shows they are optimistic about economic growth. With more money to buy inventory and expand operations, businesses create new jobs and contribute to the GDP growth.

The largest borrower within private-sector businesses is the manufacturing sector whose outstanding loans amounted to almost Rs1.9 trillion, up 9.9% over the 11-month period.
Loans to electricity, gas and water supply businesses in the private sector increased 16.5% in July-May to stand at almost Rs311.2 billion at the end of last month.
The rise in loans to the construction industry in the 11-month period was far greater (49.9%), although the outstanding amount was smaller in absolute terms at Rs92.2 billion.

Credit to businesses that belong to the commerce and trade sector amounted to Rs250.5 billion, up 5.7% from the beginning of the fiscal year.

Loans extended under the personal category amounted to almost Rs404.9 billion at the end of May after rising 5.7% over the preceding 11 months.

Banks have extended almost a quarter of total loans under the personal category to their own employees. Credit to bank employees amounted to Rs97.2 billion at the end of May, which was over 24% of total outstanding personal loans.

Consumer financing amounted to Rs300.4 billion at the end of May, which was 9.1% higher than outstanding consumer financing recorded at the end of June 2015.

Within the consumer financing category, the largest year-on-year expansion was recorded in car financing in absolute terms. Car financing clocked up at Rs108.8 billion at the end of May, up 27.8% from the end of June 2015.

Home financing amounted to Rs46.8 billion at the end of last month, up 16.4% from the beginning of the fiscal year.
http://tribune.com.pk/story/1128413/july-may-govt-outpaces-private-sector-bank-credit-uptake/

NEWS COVERAGE PERIOD FROM JUNE 13TH TO JUNE 19TH 2016
RIGHT TO EDUCATION: UN BODY QUESTIONS PRIVATISATION PLAN
The Express Tribune, June 14th, 2016.
ISLAMABAD: The United Nations Committee on the Rights of the Child (CRC) has questioned Pakistan on the unchecked privatisation of education and pending status of the "right to education (RTE) bills".

After the review of Pakistan for its state of child rights according to the Convention on the Rights of the Child, the UN committee expressed concern over privatisation of education and the lack of measures to ensure compliance of private schools regarding minimum educational standards, curriculum requirements and qualification for teachers, said a press release issued by the Pakistan Coalition for Education (PCE) here on Friday.

The UN committee met at Palais Wilson in Geneva from 17 May to 3 June, while Pakistan was represented by an 11-member delegation headed by Minister of Human Rights Barrister Zafarullah Khan and Pakistan's permanent representative to the UN Geneva Tehmina Janjua.

A separate PCE delegation also represented Pakistan's civil society and submitted a shadow report highlighting the state of education in the country.

Earlier, the committee asked why the RTE bills in Khyber-Pakhtunkhwa and Gilgit-Baltistan were pending.

The committee called for immediate adoption of the pending bills related to education, which was obligatory for Pakistan under the UN convention.

The committee also noted that Pakistan's allocations to education and health sectors were very low despite its commitment in the previous dialogue with the committee.

The government's support for private schools receiving subsidies under various public private partnerships was also questioned in the review.

The 11-member Pakistan delegation failed to comment adequately on the issue of passing the RTE bills and incorrectly reported that the legislation was passed by almost all provinces, the PCE press release said.

The Khyber-Pakhtunkhwa has failed to implement article 25(a) of the constitution which calls for "free and compulsory primary education", it further said.
http://tribune.com.pk/story/1121965/right-education-un-body-questions-privatisation-plan/

NEWS COVERAGE PERIOD FROM JUNE 6TH TO JUNE 12TH 2016
PRIVATISATION: PC TO REVISIT RULES AND PROCEDURES
Business Recorder, June 12, 2016

Mushtaq Ghumman

The Privatisation Commission is to revisit its existing rules and procedures of privatisation aimed at simplifying and making them more transparent, well-informed sources told Business Recorder. This decision was taken at a recent meeting of the Cabinet Committee on Privatisation (CCoP) during discussion on the inclusion of Industrial Development Bank Limited (IDBL) in the privatisation programme.

The CCoP headed by Finance Minister Ishaq Dar also directed the Securities and Exchange Commission of Pakistan (SECP) and Law Ministry to assist Privatisation Commission in this regard. According to official documents, Privatisation Division informed the CCoP that IDBP was set up in 1961 under the IDBP Ordinance, 1961 as a scheduled bank for extending credit facilities to industrial sector.

The IDBP (Reorganisation and Conversion) Act, 2011, was enacted on May 14, 2011, for reorganisation and conversion of IDBP into a public limited company. Under the aforesaid Act, a new banking company was established in the name of Industrial Development Bank Limited ('IDBL'), and all the assets, contracts, liabilities, proceedings and undertakings of IDBP were subsequently transferred and vested in IDB.

On October 13, 2015, Prime Minister approved the proposal and recommendations of State Bank of Pakistan (SBP) and Finance Division to initiate the privatisation process of IDBL.

Salient features of the proposal were as follows: (i) Privatisation Commission may be advised to initiate necessary process for the revival/privatisation of the IDBL ;(ii) Financial Advisor/Consultant may be appointed for evaluating and proposing suitable transaction structure for IDBL;(iii) Privatisation Commission may impose a condition that the potential bidders should preferably have experience of financial sector and successful track record for turning around a financial sector institution; (iv) Privatisation Division stated that the PC Board, in its meeting held on January 19, 2016, approved the inclusion of IDBL in the privatisation program for early implementation and recommended that this should be submitted to the CCoP for its final approval.

The CCoP urged the Minister for Law & Justice to examine the privatisation law, and advised the Securities and Exchange Commission of Pakistan (SECP) and Law & Justice Division to render assistance to the DFI enabling it to restart its functions with simple processes and to revisit the old process. After detailed discussion, the CCoP approved inclusion of IDBL in the privatisation program, the sources concluded.
http://www.brecorder.com/business-and-economy/189:pakistan/55961:privatisation-pc-to-revisit-rules-and-procedures/

NEWS COVERAGE PERIOD FROM MAY 30TH TO JUNE 5TH 2016
CONFUSION ON PRIVATIZATION
Business Recorder, June, 1, 2016

The Cabinet Committee on Privatisation (CCoP) headed by Finance Minister Ishaq Dar on 29th May this year decided to remove Pak-Arab Refinery Corporation (Parco) – with a 60 percent share held by the government of Pakistan and 40 percent by JV Abu Dhabi – from the list of entities for early implementation of privatisation programme.

The process for final approval entailed the submission of the proposal by the Ministry of Petroleum and Natural Resources with an appropriate rationale to the Privatisation Commission (PC) which, after reportedly a careful review, approved the submission and on sent it to the CCoP for a final decision.

The crucial question is: what was the rationale provided by the Ministry of Petroleum and Natural Resources that, after careful deliberation, swayed the PC to recommend to CCoP to delist Parco from the privatisation list? The reason given by Secretary Ministry of Petroleum and Natural Resources to continue to maintain the government's shareholding in Parco was inexplicably that it was a profitable entity.

The Secretary may have been unaware of various divestment decisions taken by the PC during the past three years which led to divestment of government holdings in four profitable ventures; however, the Chairman of the Privatisation Commission, Mohammad Zubair, was surely not only aware of such divestments but also presented compelling reasons for such divestments.

An example is the sale of 42.5 percent stake in Habib Bank at 168 rupees (about 1.68 dollars) per share after a successful book-building exercise during the first half of 2015 with Zubair maintaining at the time that, "it was an international and domestic offering and we received a tremendous response from both the markets.

Pakistan will be richer by around over a billion dollars due to this transaction and the bulk of money, more than 764 million dollars, is in foreign exchange." Thus Parco's profitability should not logically have been used as a justification for not offering its shares on the market.

The PML-N's 2013 election manifesto refers to the sale/divestment of those public sector entities that are running into losses but only after the entity has been restructured and turned into a profit-making entity so that the revenue generated from the sale is maximized.

There is ample evidence in this country to conclude that the pervasive policy of nepotism and corruption within government render state-owned entities – fully owned or in partnership – poor performers requiring, over time, ever larger bailout packages.

Of concern to any government, is not only poor service provided by an entity that leads to considerable public angst through its routine dealings with the general public, but also, a steadily rising drain on the national exchequer that requires billions of annual tax rupee injections to keep it afloat. Thus disabling the government from using the money for more constructive purposes.

It is unfortunate that failure to adhere to one policy accounts for ad hoc decisions that on occasion gets challenged in the courts of law. It also spreads the perception that the government is engaged in non-transparent decision-making. To further complicate decision-making in this country, the Prime Minister frequently takes a decision that is at odds with what the relevant ministry has suggested without providing any rationale.

For instance, the Information Technology Ministry had reportedly opposed the auction for remaining 3G licence this month on the basis that the climate was not conducive – a suggestion over-ruled by the Prime Minister. Business Recorder has reported that the Prime Minister has put all privatisation on hold and it is unclear whether the petroleum ministry's submission, the PC and the CCoP approvals were merely rubber stamping the directive of the Prime Minister.

To conclude, it is critical for the government to adhere to one policy and in the event that it does not do so it needs to provide compelling reasons to allay legitimate concerns of transparency and accountability.

http://www.brecorder.com/editorials/0:/51916:confusion-on-privatization/?date=2016-06-01

July 2016

NEWS COVERAGE PERIOD FROM JULY 25TH TO JULY 31ST 2016

NEW APPROACH TO PRIVATISATION OF POWER COMPANIES

Dawn, Business & Finance weekly, July 25th, 2016

Dilawar Hussain

AFTER disengaging itself from the widespread workers' protests, the government has embarked on the stalled privatisation process. On July 14th, Finance Minister Ishaq Dar summoned a meeting of the members of Cabinet Committee on Privatisation to deliberate on the divestment of bleeding public sector units.

Under consideration were the Pakistan Steel Mills, PIA and Power Sector entities. The CCoP approved the sale of residual 40.25pc shares in the stock market listed Kot Addu Power Company Limited (KAPCO). The government called for Expression of Interest (EoIs) in the country's largest Independent Power Producer (IPP) on July 15.

While the investors at the market are looking forward to the prospects of a larger free-float post privatisation of Kapco, their joy is the government's intent to divest part of holdings in power sector entities through the stock exchange.

"The CCoP allowed the Privatisation Commission (PC) to initiate the process for listing of shares of qualified power distribution companies (Discos) on the stock exchange through Initial Pubic Offering (IPO) starting with the Faisalabad Electric Supply Company (Fesco) and Islamabad Electric Supply Company (IESCO)."

"The controlling stake and management of companies would continue to be vested with the government", a spokesman for PC announced at the conclusion of the July 14 CCoP meeting.

But it wasn't supposed to be that way. Earlier the government had completed the process of appointment of financial advisors for strategic sale with management control of four utilities. The IESO; Lahore Electric Supply Company (Lesco); Faisalabad Electric Supply Company (Fesco) and the National Power Generation Company Limited to a single buyer. So what brought about a change of heart on the part of the government?

"This was the preferred option but under the circumstances, the government picked up the middle way solution", Privatisation Commission Chairman Mohammad Zubair told Dawn on phone from London on Thursday evening. Fast-track privatisation was replaced with sale after 'Transaction restructure' where necessary.

He pointed out that the PC had put in a lot of effort and energy to restructure, particularly state-owned entities that churned out losses year after year. Financial advisors were appointed and due diligence was carried out. As workers' unions agitating against privatisation vowed to turnaround the sick units given ample time of a year or two, the government decided to float 10 to 20pc of their shares at the stock market.

"The government expects to improve governance and proper disclosure by putting a part of those companies under the vigilant eye of the corporate regulators" said Zubair. The PC would then proceed to sell the remaining three-quarters of stock of a hopefully disciplined and stronger Fesco to the strategic buyer within two years.

The PC chairman said that it should be appreciated that after more than two decades, the privatisation of power companies was taken up in right earnest and brought it up to the 'restructured' stage.

Although the outstanding stock of power sector arrears remained, new arrears were accumulating at a significantly reduced pace. The PC chairman contended that already savings of Rs61bn was achieved by reducing transmission and distribution (T&D) losses and improved revenue collection.

Arif Habib, the former chairman of the Karachi Stock Exchange, termed the offer of equity through the stock market a good tiding. He said fresh listing of power companies would satiate the appetite of the investing public. Small investors could get an opportunity to make money by investing in IPOs just as they did in case of earlier divestment of Oil & Gas Development Company and Pakistan Petroleum.

"It would help in 'price discovery' of the power stock for offer to strategic buyer; deepen market capitalisation and increase 'free float' which is a major attraction for institutional and foreign investors", he said.

Most other market participants admitted that due to lack of depth, investors were chasing very few shares on most sectors of the stock market.

Neither the thunder of the chairman of the Securities and Exchange Commission of Pakistan that he would order forced listings, nor the lollipop of extending tax credit of 20pc for new listings at the bourse to two years decreed by the Finance Act 2016-17, could lure companies to float an IPO. Incidentally, the new listings in the current calendar year to-date have been just two: Awwal Modaraba and Hi-Tech Lubricants Limited, against seven new entrants a year ago.

Aside from a bevy of reforms and code of corporate governance compliance which frightens them away, the private firms also are loath to go public so as to be able to keep all profit to themselves instead of sharing it with outside stakeholders. And they understandably find comfort in cloak of secrecy wrapped around the firm's workings.

http://www.dawn.com/news/1272991

NEWS COVERAGE PERIOD FROM JULY 18TH TO JULY 24TH 2016
PM STOPS PRIVATISATION OF POWER COMPANIES
The Express Tribune, July 21st, 2016.

Zafar Bhutta

ISLAMABAD: Prime Minister Nawaz Sharif has put the planned strategic sale of power distribution and generation companies to a halt and now shares of these companies will be floated on the stock exchange.

According to officials aware of the development, the Privatisation Division in a meeting of the Cabinet Committee on Privatisation on July 14 said the Privatisation Commission (PC) had been working on the sell-off process of 14 state-owned enterprises in the power sector and financial advisers had already been appointed.

However, it pointed out that the privatisation process of all power companies had stalled because of directives of the prime minister.

The Privatisation Division argued that the work done by the consortium of financial advisers would prove beneficial for institutional development and would also support privatisation efforts in the future.

Moreover, the findings of the advisers could be put to use for the restructuring of state-owned enterprises.

The Privatisation Division stressed that an early decision was required to encourage the PC to meet its legal and financial commitments in line with a financial advisory services agreement signed with the consortium of advisers.

It suggested that if the government decided to put off the strategic sale for the time being, another possible option could be the listing of shares of power distribution companies on the stock exchange through initial public offerings (IPOs).

“This will add significant value to the distribution companies, which will get access to capital flow outside of the government budget and sovereign guarantees,” the division said.

“It will also strengthen corporate governance in power companies at large and strengthen accountability; the investors interested in acquiring a bigger shareholding will buy shares, which would have a positive impact on the share price.”

In the long run, the power companies will see increased competition, efficiency and discipline through better performance benchmarks.

The Privatisation Division proposed that the process should be initiated for the listing of shares of qualified power distribution companies through an IPO on the stock exchange where it was found applicable and feasible.

It revealed that the proposal had been reviewed and recommended by the PC board in its meeting on May 6, 2016.

Consequently, the cabinet body directed the Privatisation Division to start the process of floating shares of the Faisalabad Electric Supply Company (Fesco) and Islamabad Electric Supply Company (Iesco) in the first phase in order to ensure larger participation of the general public.

It also decided that the government would keep control and management of the power companies. Moreover, all existing boards of the companies would continue to function.

http://tribune.com.pk/story/1146096/delayed-pm-stops-privatisation-power-companies/

ENERGY SECTOR: SELL-OFF OF DISCOS TO HURT INVESTMENT PROSPECTS: MINISTER
Business Recorder, 22 July 2016

Tahir Amin

ISLAMABAD: Federal Minister for Planning, Development and Reform, Ahsan Iqbal while justifying the halt in privatization of Discos said that investment in energy sector would be discouraged if government goes for privatization at this stage. “The privatization of energy sector will stall investment on the distributional capacity enhancement because privatization is a lengthy procedure taking as long as two years to be completed.

The government is focusing on corporate governance after which DISCOs will be privatized which would fetch higher prices,” said the minister while addressing at the launch of Policy Research Institute of Market Economy’s (PRIME) 7th Tracking Report (January-June 2016) “Bad Economics is Bad Politics, PML-N Economic Agenda”.

He asked: “If we privatise Discos at this time, how will we do investment for which at least two years are required?” the minister added that country will produce more 10000MW electricity by 2018, but the distribution system will not support it if investment is not done. He further said that such practical problems come in way but it does not mean that there is no will of the government. The overall objective is to resolve electricity crisis and it is necessary to ensure the distribution system is upgraded. He further said that a $3 billion investment has been made on modernization of distributional capacity which is now limited to only 16000MW.

The Minister said the China Pakistan Economic Corridor (CPEC) initiative had provided an important opportunity to make Pakistan a developed country, adding that Pakistan did not get such opportunity during the last 68 years.

According to PRIME’s report, the central government of PML-N has chosen to un-follow promised reforms i.e. privatization, deregulation and liberalization, and adopted popular economic measures underpinned by what it terms as “Development Politics” and other populist economic measures.

It further states that the government has received a score of 50 percent on the basis of its economic performance. The report tracks the implementation of the economic agenda as per PML-N’s own manifesto with the help of a ‘scorecard’ which allocates scores on a range of 0 to 10 to 89 targets reflecting the economic promises made by the present ruling party in two areas: Economic Revival and Energy Security.

The report tracks down 89 targets set out by PML-N to achieve economic revival and energy security. Out of a maximum score of 10, the report awards a plausible score on the basis of three parameters: legislative development (2.5), institutional framework (2.5) and implementation (5) on all targets.

The report provides examples of a stalled privatisation programme in the energy sector, wherein privatisation of Gencos and Discos has already been shelved, though the government insists that the process has only been delayed. The tracking report notes that in the energy sector certain reforms have been introduced during the last three years, though the process has been slow. The report cites the following as examples:

Mandatory wheeling of electricity by Discos and NTDC; Net-metering for the small producers/consumers; Developing alternative renewable energy sources; and developing and creating a wholesale market for electricity.

According to PRIME’s report, the score in the area of Economic Revival got a lift from 3.17 to 4.64; that accrues a gain of 46 percent; whereas in the area of Energy Security, it increased from 4.16 to 5.27; that constitutes a gain of 26 percent.

Senator Laghari stressed that the electorate in Pakistan does not vote on economic grounds and focus on individual political agendas. He stated that reform implementation can also be impeded by political considerations.

According to Ali Salman, Executive Director PRIME Institute, development has taken place, but economic growth is subpar and no significant reforms have been initiated.

He noted that government has not taken any steps to curb physical and non-physical size of government. He stated that unless micro reforms are undertaken economic revival can’t be materialized. Ali noted that although the circular debt has been controlled but its elimination as per the PML-N's manifesto remains a distant dream. According to him, the government's dependence on indirect taxation and withholding has increased.

Commenting on this, Shumail Daud, representing the business community endorsed this by stating that the life for tax paying businessmen has been made miserable. He added that while Pakistan's macro outlook has improved the micro environment is still in need of reforms.

Representing academia, Ali Kemal noted that these scores appear gracious. Any improvement in any area can be attributed to external factors such as reduction in international oil prices. However, he conceded that certain improvements have taken place but are not visible to the general public.

According to Khalil Ahmad, Executive Director Alternate Solutions, the implementation of tax reforms can help in enhancing the vote bank of the current government. He welcomed the Minister's statement by stating that this type of statements the political maturity.

http://epaper.brecorder.com/2016/07/22/1-page/778350-news.html

PRIVATE SECTOR CREDIT OFF-TAKE DOUBLES
Dawn, July 23rd, 2016

Shahid Iqbal

KARACHI: After a long spell of downtrend, private sector's credit off-take more than doubled in 2015-16 compared to the preceding fiscal year, the State Bank of Pakistan (SBP) said on Friday.

The State Bank earlier reported that banks' advances to the private sector were diverse and lending to fixed projects was encouraging. However, analysts believe the credit growth was still not enough to spur the economy.

Banks continued to invest heavily in the government papers during 2015-16, indicating that most of the liquidity was flowing towards the government instead of going to the economic development.

The banks were investing 88 per cent of their investment in the government papers, leaving little option for others to attract banks' liquidity.

According to another SBP report, the government has so far accumulated Rs8.79 trillion by selling government papers as of May 31, 2016; out of this amount, banks' investment amounted to Rs6.31tr.

The recent two auctions of treasury bills and Pakistan Investment Bonds indicated that the government would continue to borrow through banks as the amount raised was much higher than the targets set for the auctions.

A latest SBP report said the government borrowed Rs1.365tr from scheduled banks, slightly less than the borrowing of Rs1.413tr in the fiscal year 2014-15.

Monetary expansion during the fiscal year 2015-16 was slightly higher in terms of percentage as it was 13.67pc compared to 13.2pc. In terms of rupees, the expansion amounted to Rs1.542tr compared to Rs1.315tr. Higher monetary growth suits economy if the inflation is low, as it was in the previous fiscal year.

However, monetary expansion was dominated by increase of currency in circulation which was almost double than the previous fiscal year. The currency circulation rose to Rs779bn compared to Rs377bn.

The State Bank's third-quarterly report said the deposits of the banking industry faced difficult situation as their growth fell significantly in the first nine months (July-March) of 2015-16. Figures for the entire year have not yet been issued.

The low growth of bank deposits and continued trend of investing most of the liquidity in the government papers could hurt the private sector credit off-take in the current fiscal year.

http://www.dawn.com/news/1272495/private-sector-credit-off-take-doubles

NEWS COVERAGE PERIOD FROM JULY 11TH TO JULY 17TH 2016
AFTER SINDH'S COLD SHOULDER, CCOP TO TAKE UP PSM PRIVATISATION AGAIN
The Express Tribune, July 14th, 2016.

ISLAMABAD: After waiting for about 10 months for a response from the Sindh government, the Cabinet Committee on Privatisation (CCoP) will now decide whether to privatise Pakistan's largest, but closed industrial unit or abandon its plan to sell Pakistan Steel Mills.

The CCoP, which is scheduled to meet on Thursday (today), will take up the issues of privatisation of the PSM and Pakistan International Airlines (PIA) as well, said Mohammad Zubair, chairman of the Privatisation Commission. He said the Sindh government did not give a formal response to the federal government's proposal to acquire the industrial unit as of June 10 – the final deadline given to the provincial government.

The mill is closed since June last year despite the government having pumped in more than Rs25 billion of taxpayers' money.

In October last year, the Finance Minister Ishaq Dar, in his capacity as chairperson of the CCoP, had decided to offer the entity to the Sindh government. That time, the Privatisation Commission had taken the transaction structure of the PSM for the CCoP's approval.

But the CCoP declined the transaction structure after which Dar decided to offer the country's largest industrial unit to the Sindh government on as-it-is-basis.

However, the provincial government did not show interest in acquiring the entity, although the PPP-led Sindh government was opposed to its privatisation. The province wasted ten months on various pretexts. It had sought financial accounts of last five years of the steel mill, the proposed transaction structure, tax policy and details of any bailout packages the federal government intended to give to revive the entity before its sell-off.

PSM is on the active list of privatisation and the government had promised the International Monetary Fund (IMF) that the entity would be sold by March 2016. The federal government remained divided over the issue of privatisation of state assets and finally dropped the plan to privatise power distribution companies.

The decision on the PSM may again pitch the federal government against the opposition parties that are looking for any issue to create problems for the beleaguered government.

Zubair said that the Commission needed a fresh CCoP decision to move ahead on the PSM privatisation plan.

The CCoP will also take up the issue of selling minority stakes of the PIA without management control, in line with changed ground realities. Earlier, the government wanted to privatise the PIA along with the management control.

In April this year, the Parliament unanimously approved a bill to convert PIA into a public limited company.

The government had agreed to incorporate the opposition's suggested major amendment that the management control of the PIA would continue to remain in the hands of the federal government and that it would not be able to divest more than 49% shares to any third party.

A new sub-clause 4 with an explanation added to Clause 4 of the bill that stated, "Representation on the Board of Directors and all other rights and privileges of shareholders of the company, or any of its subsidiary companies carrying on air transport business, shall be proportionate to their share-holding."

The explanation attached to the sub-clause reads as "Management control of the company and any of its subsidiary companies in the above circumstances shall continue to vest in majority shareholders, which shall be the federal government and whose share shall not be less than 51%.

The CCoP will also take up the agenda of allowing the Privatisation Commission to offload the government's remaining 40.25% stake in Kot Addu Power Company (Kapco) on the stock market aimed at paving the way for last round of talks with the IMF.

Under an agreement with the IMF, the government will give an advertisement by July 15, 2016 to invite Expressions of Interest from prospective bidders for selling its remaining 354.33 million or 40.25% shares through a capital market transaction.

Kapco has a power generation capacity of 1,600 megawatts and is a combined-cycle power plant. It is listed on the PSX with market capitalisation of over $750 million as of June 30 this year.

http://tribune.com.pk/story/1141346/cabinet-committee-sindhs-cold-shoulder-ccop-take-psm-privatisation/

GOVT TO GO AHEAD WITH PRIVATISATION OF PSM
Dawn, July 15th, 2016

Khaleeq Kiani

ISLAMABAD: The government finally decided on Thursday to go ahead with the privatisation of the Pakistan Steel Mills (PSM) and divestment of its remaining 40 per cent shareholding of the Kot Addu Thermal Power Company (Kapco).

At a meeting of the Cabinet Committee on Privatisation (CCOP) presided over by Finance Minister Ishaq Dar, it was also decided to sell through initial public offering (IPO) minority shares in power distribution companies, starting with the Faisalabad and Islamabad electric supply companies.

The authorities concerned were also directed to complete the corporatisation process of the Pakistan International Airlines (PIA) by dividing its core and non-core operations between the existing PIA and the Pakistan Airways — a newly created entity still being processed by the Securities and Exchange Commission of Pakistan.

The CCOP decisions, said a government official, indicated a serious move to revive privatisation programme which had been stalled for months. After completing a series of capital market transactions by April 2015, the government was able to sell stakes only in a comparatively smaller subsidiary of the power ministry — the National Power Construction Company — in Sept 2015.

An official statement said the CCOP held detailed deliberations on financial and administrative situation prevailing in the PSM. The mill has been on zero production mode since June 10, 2015 when its gas supply was strategically reduced by the Sui Southern Gas Company Limited due to Rs17 billion unpaid bills and similar late surcharge. Since then the country has imported steel worth about $3.5bn (Rs375bn).

The losses and liabilities of the country's largest industrial unit that stood at Rs200bn in June 2013 crossed Rs385bn in April 2016 and are believed to have gone beyond Rs400bn by the financial year ending on June 30, 2016.

But that was not all. The government wasted 10 months while persuading the Sindh government to take over the PSM even though the provincial government said in writing at the earliest that it had never expressed any desire to take over the troubled entity.

The technical and financial advisers hired by the federal government on the PSM had suggested last year that the plant capacity of the mill could be tripled to three million tonnes in three years with Rs90bn investment. They said that the mill could be made profitable in the first two years because of its "ideal location and market potential" that could also meet increased demand at home arising out of the China-Pakistan Economic Corridor and rebuilding process in Afghanistan.

Mr Dar, who authorised the summary for "privatisation of the PSM" as the minister for privatisation and then approved it as the CCOP chairman, said that the PSM had been non-operational over the past 12 months due to suspension of gas supply. As a result, he said, the federal government had been making hefty payments to meet the fixed costs and salary expenses of the employees.

He noted that "under normal privatisation process, the buy-side due diligence is completed in two months" but in the case of the PSM it lapsed for more than eight months.

Interestingly, while the CCOP was taking this strategic decision, two separate delegations from China were lined up on the sidelines — one from BaoSteel and another form the China Overseas Port Holdings — for separate due diligence events organised by Privatisation Commission Chairman Muhammad Zubair.

According to the statement, the CCOP observed that despite massive efforts, there had been no serious engagement by the Sindh government on the offer made by the federal government to acquire the PSM. "The CCOP, therefore, allowed the Privatisation Commission to go ahead with the plan for divestment of the PSM following due process," it said.

The committee also approved divestment of the government's residual shareholding in the Kot Addu Power Company (Kapco). The first PPP government led by Benazir Bhutto had initially sold its 26 per cent shares in June 1996 followed by the sale of another 10pc in Nov 1996 to the United Kingdom's National Power while some escrow shares were sold in 2002.

The CCOP decided that all of 40.25 per cent of issued share capital (354,311,133 shares) — the government's stake in Kapco held via Wapda — would be divested. "The transaction will be executed as a strategic sale to the qualified bidder," the CCOP said.

Kapco's financial advisers — the Dubai Islamic Bank, Deloitte, Lummus Consultants, Mohsin Tayebaly and Company and Latham and Watkins — have recommended that the entire 40.25pc government shareholding be sold to strategic buyer.

They have also recommended that 10pc of the government stake (4.025pc of issued share capital or 3.54 million shares) be offered to eligible employees of Wapda and Kapco for subscription under an agreement with the staff. The shares not subscribed by the staff should be taken up by the successful bidder.

The committee also allowed the Privatisation Commission to initiate the process for listing of shares of qualified power distribution companies on the stock exchange through the IPO, starting with Fesco and Iesco. It was decided that the government would retain the control and management of the companies.

As such, the government has rescinded its previous decision for strategic sale of power companies to the private sector to improve their work culture and overcome issues relating to system losses and bad administration.

The statement quoted the finance minister as saying that transparency must be ensured in the divestment process.

http://www.dawn.com/news/1270961/govt-to-go-ahead-with-privatisation-of-psm

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August 2016

NEWS COVERAGE PERIOD FROM AUGUST 29TH TO SEPTEMBER 4TH 2016

PUBLICLY-TRADED COMPANY DECIDES TO GO PRIVATE

Dawn, Business & Finance weekly, August 29th, 2016

Dilawar Hussain

THE board of directors of the Pakistan Gum and Chemicals Limited resolved, last Wednesday, to seek voluntary de-listing from the Pakistan Stock Exchange.

In order to achieve this objective, the sponsors propose to buy-back shares held by minority shareholders, which according to the company, amounts to 0.442m. The minority stake would be repurchased by the sponsors at a price of Rs183.20 per share of the par value of Rs10, or 'as may be determined by the Pakistan Stock Exchange (PSX) or the Securities and Exchange Commission of Pakistan (SECP)'.'

The news of a buy-back was greeted warmly by investors at the stock market where the price of the Pak Gum share rose by Rs6.28 on Wednesday to close at Rs131.96 on account of the sizeable premium of the buy-back price over the market value.

Due to a relatively small paid-up capital that translates into tiny free float, analysts covering the 'chemical sector' scarcely follow the scrip for it is not of much interest for foreign investors, who prefer to trade in large-cap stocks.

According to the statement provided by the company to the PSX on July 13, the free-float of shares stood at only 0.365m shares, which worked out to a mere 8.6pc of the total outstanding shares in Pak Gum. The associated company and the sponsors held the remaining stock in large frozen blocks.

Pak Gum is the only public limited company in the guar industry that is listed on the PSX. The company boasts of being the 'largest producer of guar gum in the country'.

Guar gum is an essential ingredient of a host of food products which require a natural thickening, emulsifying and stabilising additive. It is used in bakery products, beverages, canned food, confectionery, cheese, dairy products, gravies and soups, ice creams, ketchup, noodles and pharmaceuticals.

The by-product, guar meal is used as a nutritional supplement for animals, poultry and cattle. Pak Gum is an export-based company with customers all over the world; in the Gulf, Europe and the US.

Its associated company, East West Group Holdings Inc. is the majority shareholder in Pak Gum with 60pc stake in aggregate paid-up shares. Mr Shuaib Ahmed vice-chairman of the company holds another 10.66pc of the stock.

Total assets of Pak Gum at the last released accounts for March 31, 2016 stood at Rs498m. In the face of a small paid up capital of Rs42.5m, the company has piled up huge reserves of Rs382m, taking the shareholders' equity to Rs424m. By that reckoning the break-up value of a share works out at Rs99.76.

The company has seen its fortunes sink in recent times. In the first quarter ended March 31, 2016 it reported a net loss of Rs10.7m, against a net profit of Rs0.545m in the same quarter last year. Local sales shrank to Rs17m from Rs72m while exports plunged to Rs78m from Rs178m. Export sales form as much as 82pc of the aggregate turnover and is therefore the determining factor in the company's financial results.

Mohammad Moonis, chairman of Pak Gum explains: "The dip in sales volume and price reflects a substantial drop in demand even at the reduced selling price." But he pointed out that the depressed results for the first quarter had been foreseen, due to a declining trend in the price of guar products and the company's margins. "This is mainly because of a poor demand from overseas buyers, particularly from the oil drilling and gas sector".

He sounded worried over the fact that the guar market had changed drastically during the past two years. "Buyers seem to be waiting in hopes of a further price decline, although the price has already taken a steep drop from the peak of 2012", the company chairman says. He adds: "On the other hand, there is no stability in seed prices, which are largely influenced by prices in India. The seed market remains totally uncontrolled and unpredictable".

In order to salvage the situation, the company dispatched its sales team to the Far East. "We have gained some ground and are getting fresh enquiries. The results of these efforts should become visible in the coming months", chairman Mohammad Moonis hoped.

In the announcement on Wednesday, the directors did not say why the company wished to go private. In the financial year 2015, the company had suffered a net loss of Rs75m, which was the first in five years. The Board also had to skip a dividend that year, though the company had paid cash to shareholders at 50pc for the preceding two years and at 100pc in 2012. There have been no bonus payouts for as far back as one can see with the board preferring to retain cash in reserves.

While the PSX has hardly seen new listings during the current year to-date, it would be pity to see a company with a record of good payout calling quits to the stock market.

http://www.dawn.com/news/1280527

NEWS COVERAGE PERIOD FROM AUGUST 8TH TO AUGUST 14TH 2016
PRIVATISATION & THE SUPREME COURT
Dawn, August 8th, 2016

Khalid Anwer

ON June 23, 2006, a bench of the Supreme Court headed by then chief justice Iftikhar Chaudhry struck down the privatisation of Pakistan Steel Mills by means of a long, rambling judgment. The court's action was to prove an extraordinarily expensive one for the nation. The losses of Pakistan Steel Mills are now approaching Rs400 billion. This is to disregard the hundreds of millions of dollars which were to be paid by the successful bidder.

Furthermore, the bidder had agreed to invest an additional hundreds of millions in order to increase the capacity of the steel mill from one to three million tons. All these losses have been absorbed by taxpayers in Pakistan because of that flawed judgment.

An interesting aspect of the judgment is that it pays lip service to the well-established principle of law that it is not the function of the judicial organ of the state to interfere in the policymaking domain of the executive. This is for the sound and compelling reason that democracy entails the acceptance of responsibility for one's decisions.

When the executive takes incorrect decisions the Constitution provides that the cabinet is responsible to parliament, and parliament, in turn, to the nation. But when the Supreme Court interferes in the executive domain and causes a wholly avoidable loss of hundreds of billions of rupees to the common weal the question is, who is to be held accountable? Quis custodiet ipsos custodes? Who will reimburse the public exchequer?

It is an equally well-established principle of law that the judiciary in Pakistan (although not in Britain, the US or India) is only accountable to itself. This is in order to preserve the invaluable concept of the independence of the judiciary. It may be observed in passing that historically self-accountability has generally led to non-accountability.

We can commence by looking at some of the core findings of the court. The chief justice held that a number of incentives were given to the successful bidder which had not been disclosed in advance.

These included: a) stock in trade worth about Rs10bn, b) the commitment of the government of Pakistan to clear the loan liability amounting to Rs7.67bn, c) the refund of Rs1bn paid as advance tax to the government, d) responsibility was accepted by the government to meet the claim of the workers opting for a voluntary separation scheme (VSS) amounting to about Rs15bn.

Unfortunately, the official record reveals the opposite. The stock in trade was clearly disclosed in the financial statements dated Dec 31, 2005 which were provided to all prequalified bidders.

The repayment of the loan advanced by the government was also clearly stated in Note-6 (in any event it is obvious that instead of being a concession this was an additional burden on the bidder because the loan had earlier been advanced to the steel mill by the Pakistan government at a concessional rate of interest. Calling it a concession eludes comprehension.)

The question of refund of taxes was, once again, clearly disclosed in the financial statements (in any event, it is obvious that since the sale was on an 'as is where is basis' any refunds to the company would be included just as the liability would be included.) The responsibility for VSS was also clearly understood in advance and set out in clause 9.2 of the draft purchase agreement.

Another (incorrect) criticism was that the Privatisation Commission had failed to mention that the company had recorded profits for the last three years. The criticism is all the more surprising in view of the fact that elsewhere the court had itself reproduced the public advertisement setting out the profits for the said years separately. Space constraints prevent analysis of other errors in the judgment.

On the basis of the above, the government approved the figure of $464 million based on discounted cash flow valuation for 100pc of the shares. The share value on the above basis comes to Rs16.18 per share and the winning bid was for Rs16.80. Incidentally, the chief justice failed to comprehend that the said method does not require the separate valuation of land or other assets.

The privatisation was challenged by the union. It is no secret that employees in a government-owned establishment have their jobs secured, irrespective of their integrity, performance or competence. In fact, the concept of nationalisation can perhaps more aptly be described as bureaucratisation.

Is anyone satisfied with the performance of bureaucrats? Why should the taxpayer be compelled to pay for the shoddy performance of the employees? But still privatisation is opposed by some who should know better.

The petition was dismissed by the high court but found a more favourable environment in the Chaudhry court. There are numerous passages in the judgment which seemingly suggest that the benefits of privatisation were viewed by it sceptically to say the least.

One of the most remarkable findings by the court related to its unilateral demand that bidders should have been made to furnish a guarantee for the purpose of making future investment with a view to raising its production capacity. This was neither a condition laid down in the bid documents in this case, or indeed in any other case of privatisation. If such guarantees are demanded then no company will be privatised.

We now turn to the final chapter of this rather sad episode. A review petition was immediately lodged. The review petition was not fixed for hearing for six long years. Finally, it was fixed for hearing suddenly and then dismissed on the ground that the counsel for the petitioner was not present.

Left unremarked was the fact that a few days earlier the chief justice had personally granted the counsel for the petitioner (myself) a general adjournment since he was proceeding outside the country. That is how the case was decided.

After the retirement of justice Chaudhry, the court has moved on. During his tenure he was a dominating personality until the collapse of his moral authority after the Dr Arsalan scandal. His successors have shown wisdom in preferring judicial restraint in cases of privatisation. Let us not forget, the pitfalls of judicial adventurism are many while the rewards are limited to the generation of sensational media coverage.

http://www.dawn.com/news/1276084

September 2016

NEWS COVERAGE PERIOD FROM SEPTEMBER 26TH TO OCTOBER 2ND 2016

PIA, PSM STILL ON ACTIVE PRIVATISATION LIST

The Express Tribune, September 27th, 2016

ISLAMABAD: Nine state-owned enterprises including Pakistan International Airlines (PIA) and Pakistan Steel Mills (PSM) are part of the active list of privatisation, Minister of State and Privatization Commission Chairman Mohammad Zubair said.

Talking to APP, Zubair said first of four stages of the privatisation process of PIA and PSM had been completed while further work was under way. He said the Sindh government had expressed its interest in buying the steel mill.

Owing to some technical issues, he said, the PIA sell-off was delayed and it would be ensured that the entire process was done under the privatisation ordinance.

He said the government was also restructuring some state institutions that were included in the privatisation list to enhance their capacity. “We are looking at all aspects including financial, legal, human resource and technical for privatising a national institution,” he added.

The current government has so far sold shares in five state-owned enterprises worth Rs170 billion. Habib Bank, United Bank, Allied Bank, National Power Construction Company and Pakistan Petroleum Limited were the entities whose shares were sold during the tenure of current government.

“The government is implementing its policy of privatisation with complete transparency in the process,” Zubair said.

Criticising the opposition and some sections of media which were opposing privatisation "without any ground", he stressed that after sell-off these enterprises would give better services to the people.
http://tribune.com.pk/story/1188899/pia-psm-still-active-privatisation-list/

'PUBLIC-PRIVATE PARTNERSHIP GAINING MOMENTUM'
Dawn, October 2nd, 2016

ISLAMABAD: The public-private partnership (PPP) model is gaining momentum globally as a means of delivering infrastructure projects.

Government capabilities to prepare, procure and manage such projects are important to ensure that the expected efficiency gains are achieved, the World Bank said in a new report titled "Benchmarking PPP Procurement 2017".

Many economies are yet to adopt broadly recognised good practices to prepare, procure, and manage PPP, according to the report.

The report flags potential improvements that can help governments fill the gap in an effort to ensure better infrastructure service delivery.

The report benchmarks government capabilities in 82 economies across four key areas: PPP preparation, PPP procurement, unsolicited proposals (USPs) and PPP contract management. Across the four areas measured, data finds that most economies fall short of recognised good practices. Project preparation and contract management are the two areas where a significant number of countries perform poorly.

The report presents an analysis of targeted elements aggregated into four areas that cover the main stages of the PPP project cycle: preparation, procurement and contract management of PPPs, and management of (USPs).

No systematic data currently exists to measure those capabilities in governments. "Benchmarking PPP Procurement 2017" is the first attempt to collect and present comparable and actionable data on PPP procurement on a large scale by providing an assessment of the regulatory frameworks and recognised practices that govern PPP procurement across 82 economies.
The 82 economies reflect a range of regulatory frameworks and institutional arrangements for PPPs. All have in place specific frameworks for regulating PPPs, with 71 per cent having either a concession or a specific PPP law – 25pc of which co-exist with a concession law.

http://www.dawn.com/news/1287368/public-private-partnership-gaining-momentum

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October 2016

NEWS COVERAGE PERIOD FROM OCTOBER 24TH TO OCTOBER 30TH 2016

KAPCO PRIVATISATION RUNS INTO TROUBLE

The Express Tribune, October 26th, 2016.

Shahbaz Rana

Islamabad: The privatisation process of Kot Addu Power Company (Kapco), Pakistan's largest independent power producer, has run into snags due to government's inability to provide investors with a satisfactory response over the fate of a power purchase agreement and shift in state's coal consumption policy.

The indecisiveness on the part of the Ministry of Finance and the Ministry of Water and Power has started hurting the share price of Kapco that has gone down by over 16% in the last three and a half months, according to market analysts.

In rupee terms, if the government decides today to sell its remaining 40.25% stake in Kapco, it will get Rs5.1 billion less because of the sharply lower share price compared to July 4 – when financial advisers completed their work and submitted a report to the Privatization Commission.
A consortium of financial advisers hired to sell shareholding in the 1,600-megawatt power plant had advised the government to timely address half a dozen issues in order to fetch a better price, according to the advisers' report.

During road shows, prospective investors asked questions about extension in the power purchase agreement (PPA), which will expire in 2021, and the planned addition of a 660MW imported coal-fired power plant.

However, these issues remained unresolved and the revised deadline for the submission of Expressions of Interest and Requests for Statement of Qualification (RSOQs) by the prospective bidders also ended on October 20.

Four investors showed interest in acquiring Kapco including K-Electric but none of them submitted the RSOQs, according to officials of the Privatization Commission.

A summary to give another extension or stop the privatisation process is awaiting decision of Finance and Privatisation Minister Ishaq Dar.

Even if he decides to give the extension, the government may not be able to get a better price due to delay in resolution of the PPA issue.

According to officials, Dar has directed the power ministry to issue a comfort letter declaring that the PPA would be extended further. However, the ministry and the Water and Power Development Authority (Wapda) "had never been willing partners".

On July 4, Kapco's share traded at Rs89.56, which went down to Rs75 on October 25, a drop of 16.2% or Rs14.56. This has brought down the price of government's 40.25% stake from Rs31.73 billion to Rs25.57 billion.

In case of a 10-year extension in the PPA, the stake is valued in the range of Rs33.3 billion to Rs37.3 billion under the Discounted Cash Flow (DCF) model, according to the financial advisers.
On various occasions, the government had promised to give a comfort letter for extending the PPA but it did not happen, said a senior Kapco official while talking to The Express Tribune.

Sources said there were also doubts over whether the Kapco management would add the 660MW coal-fired power plant as market perception was that the project had been put on hold due to a change in policy.

Earlier, power plants were set up based on imported coal, but the government has now switched to domestic coal.

"The coal-fired power plant has not been put on hold but there are challenges to the project," the Kapco official said, adding that this might have affected the company's share price.

Kapco was working on the greenfield coal power project under the China-Pakistan Economic Corridor.

There is also an issue of liquidity damages amounting to Rs27.7 billion claimed by Wapda. The financial advisers said the buyers may require the government to provide adequate comfort in the unlikely event that this contingency materialised.

So far, the government has earned more than $1.7 billion through easy capital market transactions. Such transactions do not meet objectives of privatisation such as improved service delivery to the people and minimising losses to the public exchequer.

http://tribune.com.pk/story/1210146/delayed-kapco-privatisation-runs-trouble/

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November 2016

NEWS COVERAGE PERIOD FROM NOVEMBER 28 TH TO DECEMBER 4TH 2016

GOVT STUMBLES IN FIFTH ATTEMPT TO PRIVATISE HEC

The Express Tribune, December 3rd, 2016.

Shahbaz Rana

ISLAMABAD: The Ministry of Industries has technically blocked the privatisation process of Heavy Electrical Complex (HEC), frustrating the government's fifth attempt to sell the enterprise.

Representatives of the Ministry of Industries, State Engineering Corporation and HEC joined hands to technically knock out the two investment houses that had applied for becoming financial advisers for the company's privatisation, according to documents and discussions with the people involved in the process.

Without hiring the financial advisers, the HEC privatisation cannot be taken forward.

The move is seen as a direct challenge to the Cabinet Committee on Privatisation (CCOP) that has authorised the Privatisation Commission (PC) to press on with the sell-off plan. Finance and Privatisation Minister Ishaq Dar is the chairman of the CCOP.

The PC had invited expressions of interest for the appointment of financial advisers for the strategic sale of HEC, which manufactures power transformers. In response, Next Capital and KASB Securities submitted technical and financial bids.

PC Chairman Mohammad Zubair set up a nine-member evaluation committee to scrutinise the technical bids. Unlike majority of the members who gave 62 points to 89.50 points to both the bidders, three representatives of the Ministry of Industries and its subordinate departments gave scores of 28 to 33 to the bidders.
Resultantly, both the bidders could not get the required minimum score of 70 for technically qualifying for the job, showed the documents. KASB Securities got a cumulative score of 60.50 while Next Capital got 51.70.

Ministry of Industries Senior Joint Secretary Arif Ibrahim gave 33 points to KASB Securities and 32.40 to Next Capital. HEC managing director gave 31 points to KASB and 29 to Next Capital. State Engineering Corporation Chief Executive Officer Syed Kaukab Mohyuddin gave 30 points to KASB Securities and 28 to Next Capital.

There was another interesting pattern. Except for two representatives of the PC, all members of the evaluation committee including the Ministry of Industries gave highest marks to KASB Securities.

Azeem Qadir Haye, the transaction manager gave 70 marks to KASB Securities and 75 to Next Capital. Noman Farooqi, the Legal Consultant of the PC, gave 71 marks to KASB Securities and 75 to Next Capital.

Sources said the PC board, while observing the response of the Ministry of Industries and its attached departments, had asked them to get the entity removed from the privatisation list, if the ministry was not keen to get it privatised.

Sources said the PC board constituted another evaluation committee comprising three members of the board to make a fair assessment of the bidders. The new committee met this week and would give its findings to the board.

Owing to the collective low score obtained by the bidders, the government has the option either to re-advertise or cancel the HEC privatisation. However, the re-advertisement process would be expensive, both in terms of cost and time.

This was the fifth attempt that the government was making to privatise HEC. Last year, in a negotiated sale, it had agreed to sell the company at a meagre cash price of Rs250 million to Cargill Holdings Limited. However, the deal was cancelled after the Rs225-million cheque submitted by the bidder was dishonoured.
Apart from this, the PC expelled its official who tried to manipulate the deal allegedly in return for kickbacks. The PC management took the position that the privatisation transaction was free of any wrongdoing, as no loss was inflicted on the state, while Rs25 million of the bidder was forfeited.
http://tribune.com.pk/story/1251868/heavy-electrical-complex-govt-stumbles-fifth-attempt-privatise-hec/

NEWS COVERAGE PERIOD FROM NOVEMBER 7TH TO NOVEMBER 13TH 2016
PRIVATE SECTOR NEEDS TO TAKE LEAD IN COUNTRY'S DEVELOPMENT
The Express Tribune, November 7th, 2016.

Salman Siddiqui

KARACHI: Turkey's economy was badly shaken by massive terror attacks and a coup attempt afterwards in July. Its travel and tourism industry, with a direct and indirect share of around 12% in the national economy, particularly felt the jolt of the disturbing events.

People of the country, however, did not let the turmoil prolong and came out on the streets to shield their political setup and succeeded. President Recep Tayyip Erdogan, who has been in power since 1994, prevented the political and economic structure from crumbling with widespread support from the people.

In the process, the government scrutinised almost everyone and suspended more than 60,000 officials at schools, colleges, aviation industry, judiciary and others. Now life has come back to normal and businesses have resumed work. They are striving to give a much-needed boost to the bruised economy.

A visitor to Istanbul told The Express Tribune about a week ago: "This is my second visit {in October}. When I came here last time in March, the situation was entirely different. Police were not allowing tourists to enter historical places like this one {Blue Mosque}. But now people are free to move."

He was right as people were roaming around Taksim Square, one of the most popular and busiest places in Istanbul. They were on the streets in large numbers late in the night as shops stayed open.
The square is surrounded by international fast food chains, restaurants and pubs. People also choose this site, from where tram tracks pass, for New Year celebrations.

Being a developing country like Turkey, Pakistan can learn a lot from the development of Istanbul, as both countries are dominated by Muslim populations, have beautiful landscapes but also face the threat of terrorism.

Pakistan is blessed with so many tourist spots including Swat which is called the Switzerland of Asia. However, these eye-catching places are yet to host a large number of foreign tourists since the Taliban spread their influence to a large part of the region in the previous decade. Now, the government and the army have succeeded in making these places free from terrorists.

Secondly, the private sector in Turkey is at the forefront of efforts to put its economy back on rails.

The chairman of Turkish Airline, who invited and briefed world media on the ups and downs in Istanbul, said, “We are updating you about how life has been restored in Istanbul because it was the private sector that was attacked and paid the cost.”

In the same way, Pakistan’s private sector could take lead and kick off development work on a massive scale as Turkish businessmen do by looking beyond their business interests. The revival of tourist spots and other sectors of Pakistan’s economy will surely pay them back.

Thirdly, the people of Turkey repose trust in themselves and their elected governments. “The government is doing a good job,” said a Turkish man, who like many citizens of Turkey highlighted only the good aspects of their society.

This is in stark contrast to the tradition in Pakistan where people always point to poor aspects of the society. They do this while talking to even foreigners and during trips abroad, which paints a negative perception of Pakistan.
The Green Bus and Orange Line train projects in Lahore are based on the Istanbul model. By setting aside controversies and disputes, other Turkish models may be adopted across the country.
http://tribune.com.pk/story/1222536/tourism-areas-private-sector-needs-take-lead-countrys-development/

GOVT READY TO PUT STEEL MILLS IN FOREIGN HANDS
The Express Tribune, November 10th, 2016.

Shahbaz Rana
Islamabad: The government has decided to give Pakistan Steel Mills (PSM) on lease to foreign investors after failing to privatise or revive the industrial giant despite injecting over Rs26 billion over the past two and a half years.

“Based on some interest expressed by the Chinese and Iranians, we are exploring the option of giving PSM on lease,” said Privatisation Commission (PC) Chairman Mohammad Zubair while giving a policy statement in a meeting of the Senate Standing Committee on Finance and Privatisation on Wednesday.

PSM is the largest and the only integrated steel plant in the country with installed production capacity of 1.1 million tons per year. However, it has been closed for the last one and a half years due to government’s mismanagement and lack of interest in resolving the issues.

The government has not paid salaries to PSM employees for five months, making it difficult for over 15,000 workers to make both ends meet.

Zubair said the commission was at final stage of offering the mill on lease and the plan would be taken for approval first to the PC board and then to the Cabinet Committee on Privatisation (CCOP) in the next two to three weeks.

“PSM is not running, bleeding heavily and liabilities are piling up with each passing day and something has to be done urgently,” said Zubair.
Section 25(e) of the Privatisation Ordinance 2000 empowers the commission to enter into lease, management or concession contracts.
Cumulative losses of PSM swelled to Rs164 billion in June 2016 in addition to over Rs150 billion in liabilities.
“The mill will be offered on lease through a competitive process,” said Zubair after the meeting. Among potential investors, he only disclosed the name of BaoSteel Group of China.

Throwing some light on the expected lease contract, he told the committee that first of all PSM’s balance sheet would be cleared of liabilities, as in its present shape no one would buy or take the mill on lease.

Of the liabilities of over Rs150 billion, Rs50 billion comprises National Bank of Pakistan loans, Rs10 billion in loans from other banks, over Rs40 billion in gratuity dues and Sui Southern Gas Company (SSGC)'s bills of Rs40 billion that led to the suspension of gas supplies in June 2015.

When the mill was operating at 40% to 60% capacity, SSGC suddenly cut off the supply of gas, which brought the unit to its knees, Zubair said. He said it was the responsibility of the petroleum ministry to get the supply restored.

He pointed out that the mill would require an immediate capital injection from the investor who would acquire it on lease.

"In its present shape, one cannot fetch a reasonable price and our main objective is to first reactivate the closed unit," he said in reply to a question from Senator Mohsin Aziz of the PTI.

He said the restructuring of the mill would require at least Rs50 billion and the government did not have the money. The government has already given a Rs18.5-billion bailout package, which could not work.

PSM has remained on the active privatisation list but it could not be sold as the federal government remained divided over the issue of privatisation of state assets.
In October last year, the federal government offered Sindh to acquire PSM. Zubair said the PC board had approved the PSM's sell-off structure but the CCOP did not endorse it and instead offered the mill to the Sindh government.
In response, Sindh placed certain conditions, of which, according to Zubair, some were reasonable like status of gas supplies and the outstanding debt. But the CCOP offered the mill on "as is basis".

The transaction structure that the PC board approved in October last year talked about retaining Rs142 billion in liabilities and the entire land area of about 14,400 acres, but transferring the operating assets and regular employees-related liabilities to the buyer. The board had approved the sale of a minimum 75% stake.
http://tribune.com.pk/story/1226269/lease-govt-ready-put-steel-mills-foreign-hands/

NEWS COVERAGE PERIOD FROM OCTOBER 31ST TO NOVEMBER 6TH 2016
BEHIND THE IMAGE
Dawn, November 3rd, 2016

Arif Azad
PUNJAB is considered the epitome of good governance by many donors, the media and political classes. A large part of this perception is formed by Chief Minister Shahbaz Sharif's hyperactive managerial style: his on-the-spot sackings or demotions of officials found negligent, his personal immersion in mega infrastructure projects and his fondness for target-heavy presentations given by development experts.

Together, these defining traits constitute a perception of a better-managed province. Beyond this, however, is little scrutiny of Punjab's so-called good governance agenda. In fact, emerging trends show that the good governance agenda is laced with an unbounded privatisation agenda, and that the privatisation of state entities in the name of efficiency is being pushed through without consultation.

Without wider public and political discussions on privatisation, the notion of a public service delivery ethos in public entities is corroded. Political parties have made the occasional, feeble noises, but to little effect. The PPP — normally a party of state-delivered public services — is conspicuous by its absence in the province's political field.
Thus, no sustained or coherent critique of the current governance model comes from the social democratic party of the PPP coloration. The PTI — caught up in its accountability verbosity — is miles away from the political tide when it comes to offering opposition to the privatisation agenda.
Although part of a larger ideological agenda (as is the case in other countries), privatisation is most visibly being forced through the education and health sectors at breakneck speed. With education, the plan involves the privatisation of education at all levels. Primary schools are being privatised with little or no opposition; the plan involves handing primary schools over to NGOs and the private sector.

The teachers union offered only desultory opposition. In this move, critics see the stripping of state assets, such as infrastructure and expensive lands on which some of the schools are situated, with the involvement of the land mafia.

Privatisation of the primary education sector is being pushed through, in part, to drive up enrolment figures. This has seen some success. Yet, the policy of public-private partnerships is muddled. In some cases public-private partnerships are working at cross purposes when it comes to enrolment drives.

There are instances where NGOs are working with donor funding to enhance enrolment figures in government schools, while the government is incentivising donor-funded provincial education foundations to enhance enrolment in private schools in the same area.

With limited numbers of primary schoolgoing students in the project area, there is often a shift from the state school to the foundation-funded school where enrolment is financially incentivised. This tends to demoralise state-sector schools, staff and students. The unspoken message here seems to be that private schools are better than state schools.

Post-graduate colleges are similarly being forced down the path of privatisation. The net effect of runaway privatisation of post-graduate colleges is an unaffordable fee hike for poorer students, thereby pricing them out of higher education.

Also under the privatisation hammer is the health sector. Here, again, there is an unseemly and unreflective haste to slash and burn everything that stands in the way of a supposedly efficient private sector. T

here may be evidence that some NGO-managed basic health units work better than health department-managed BHUs, yet these examples hardly give licence to the government to attempt to dismantle the public sector and abdicate its responsibility of providing universal affordable healthcare.
Curio
usly, this is happening in Punjab at a time when the neo-liberal consensus on the so-called infallibility of the market has been vigorously challenged in the West. This trend has seen the return of social democrats and socialists to power on the back of public ownership agendas. In the UK, for example, some parts of British Rail are already back in public ownership.

Similarly, calls for abolishing the private market in the National Health Service are gathering momentum. The British government has already retreated from its policy of turning state schools into private academies.

Yet Punjab is headed down this path, irrespective of cautionary tales from other places. Add to this an utter lack of regulatory control over the privatised entities, and the socially unequal impact of full-blown privatisation on affordable access to education and health, and it becomes too glaring to ignore.

Therefore, it is vital that a proper audit of Punjab's privatisation experiment be undertaken and appropriate caution exercised in expanding the private sector's role in education and health. Good governance can only be delivered by a high-performing and incentivised public sector.

http://www.dawn.com/news/1293904

PAFDA: SHAHBAZ FOR GREATER PARTICIPATION OF PRIVATE SECTOR
Business Recorder,November 03, 2016

Punjab Chief Minister Muhammad Shahbaz Sharif presided over a meeting of board members of Punjab Agriculture, Food & Drug Authority (PAFDA) here Wednesday. He expressed his indignation over large number of members of government sector on the board of the authority besides delay in some matters and reprimanded authorities concerned. The Chief Minister directed to change all official members of the authority and said in spite of his clear instructions it is regrettable that the number of official members in the authority is very high.

Addressing the meeting, Shahbaz Sharif said that experts from private sector would be in majority in the authority and the Punjab Agriculture; Food & Drug Authority would be completely autonomous. He said as Punjab Agriculture, Food & Drug Authority is directly linked with human lives therefore there is no justification for delay in the matters with regard to making the authority functional.

Shahbaz Sharif said that the elements engaged in the heinous business of spurious drugs are enemies of humanity while those dealing in fake agriculture medicines are causing a loss to agriculture sector. He said that it is time to root out the evil trade of spurious medicines and Punjab Agriculture, Food & Drug Authority has to play a vital role in this regard.

Punjab Chief Minister said that traditional methods are insufficient in the service of the people of the province. He said they were answerable to Allah as well as masses and only those officers who would deliver results would remain on their posts. He said that board of Punjab Agriculture, Food & Drug Authority would meet twice a month while he would personally preside over its meeting on monthly basis.

Provincial Ministers Bilal Yasin, Dr Farrukh Javed, Advisor Khawaja Salman Rafique, Additional Chief Secretary, Chairman Planning & Development, Secretaries of concerned departments and board members of the authority attended the meeting.

http://www.brecorder.com/agriculture-a-allied/183/99347/

December 2016

NEWS COVERAGE PERIOD FROM DECEMBER 26 TH TO JANUARY 1ST 2016

A NEW SYSTEM: THE RISE OF THE PRIVATE SECTOR

The Express Tribune, January 1st, 2017.

Mudaser Kazi

Karachi: In its eagerness to absolve itself of the responsibilities of providing basic health and education facilities to its people, the Sindh government in 2016 continued with its policy of transferring these services to private sectors.

Under the provisions of the Sindh Public-Private Partnership Act of 2010, the operation and management of a number of public health facilities was entrusted in 2016 to operators in the private sectors. Surprisingly, the agreements and the terms and conditions of the arrangement were kept secret and never made public.

Civil Hospital, Badin was the first government owned health facility handed over to the Indus Hospital under the public-private partnership scheme.

Since then, 24 rural health centres in Larkana division and 13 facilities in Thatta and Sujawal, in the second and third phases, respectively, have been handed over under public-private partnership agreements during this year alone.

Kicking off the New Year with a bang, the next batch of 86 facilities will be handed over from January, 2017, onwards. The contracting out of all the 124 facilities that will be handed over was carried out to four partners – Indus

Hospital, Integrated Health Services, Medical Emergency Resilience Foundation and the Health and Nutrition Development Society – in March, 2015, but the actual process of handing over the facilities will continue till 2017.

Relieving itself of the burden of running these facilities, the Sindh government believes that it can now focus on regulation and finances, while the skill set of the private partners can be utilised for the welfare of the patients by bringing efficiency to the table, according to the director of the health department's public private partnership and the health official responsible for handing over facilities to the contracting partners, Dr Ahsanullah Khan.

"This is not a privatisation," he clarified. "It's a partnership. The ownership remains with the Sindh government." The private partners are only operators who will be given tenure on a performance-based contract, which is being done in Punjab and Khyber-Pakhtunkhwa as well, he remarked.

By contracting out the health facilities, the government is encouraging a sense of competition among the partners, he told The Express Tribune. Dr Khan said Civil Hospital, Badin, had an out-patient department that catered to 200 patients a day. This number rose to 1,000 per day after being handed over to the Indus Hospital.

He remarked that complicated pregnancies are being dealt with at the facility. They were earlier referred to Hyderabad or Karachi due to lack of gynaecologists. Other than that, food, medicines and supplies are being provided by the hospital to visiting patients.

According to him, the community ambulance service was also handed over in Thatta and Sujawal in 2016 to the fifth partner, Aman Foundation.

Another facility, the Children's Hospital, North Karachi, has been contracted out and made operational by the Poverty Eradication Initiative. According to Dr Khan, the primary object of contracting out the facilities is to provide high quality services to the patients.

The contracts are usually for 10 years and the disbursement of funds is based on independent auditors and expert reports.

Public-private partnership was recognised as one of the most important tools to improve the delivery of healthcare services in the Sindh Health Sector Strategy 2012-2020. This partnership mode is not new to Pakistan.

Dr Khan explained that public private partnerships have been implemented in various capacities in eastern Mediterranean countries and South Asia, where there are similar socioeconomic conditions. He added that all these efforts are being carried out under the Sindh Public Private Partnership Act 2010.

Next in the pipeline are the district headquarter hospitals in Shikarpur and Tando Muhammad Khan and four regional blood centres in Karachi, Jamshoro, Sukkur and Larkana.

http://tribune.com.pk/story/1280548/new-system-rise-private-sector/http://tribune.com.pk/story/1280548/new-system-rise-private-sector/

NEWS COVERAGE PERIOD FROM DECEMBER 12 TH TO DECEMBER 18TH 2016
NA PANEL TOLD: PSM TO BE PRIVATISED IN 3 MONTHS
Business Recorder, December 14, 2016

ISLAMABAD: A parliamentary panel was informed on Tuesday that Pakistan Steel Mills Corporation (PSM) would be privatised in three months.

Chief Executive Officer (CEO) PSM informed the committee that the profit of PSM was Rs3 billion in 2008, but it turned into loss of Rs 26 billion in 2009.

Member Committee Arif Alvi asked why the mills went in loss in one single year.

Rasheed Godil remarked that a profitable entity was now a bankrupt unit.

Dr Azra Fazal Pechuho chaired the meeting. The committee reviewed the audit reports of the ministry of industries and production for year 2009-10.

Responding to the CEO's claim that the PSM's land was estimated at Rs7 million per acre, Godil said that the management was trying to dispose of land at a throwaway price and he (Godil) would be ready to give Rs10 million per acre of PSM land.

Alvi said that it was not enough that the PSM stood closed and now its land was being sold at a throwaway price.

The committee was informed that the size of land was 19,000 acres. The PSM land measuring 50 acres was rented out to Sui Gas Company on a 60-year lease against Rs9 million per acre. Another land measuring 930 acres was leased out to National Industrial Park and the rent amount was receivable.

The CEO said that the payment of salaries of PSM were linked to if National Industrial Park retires its receivables to them, added that the land was given to the park as per a decision of the ECC in 2002.

The committee directed to recover the receivables from the National Industrial Park. The committee also sought the details of usage of PSM land.

The management of Pakistan Tool Factory told the committee members that it has been turned into a profitable entity, which earned a profit of Rs3 million in first quarter of the current financial year. The management claimed that 24 per cent losses have been reduced, 54 per cent sale has been increased and Rs1.6 billion worth of orders are in pipeline.

The committee observed that the opposition parties could push the government for delisting the Tool Factory from the privatisation list if it turns into a profitable entity.

The management of Tool Factory further disclosed that a procurement order from special security force of China-Pakistan Economic Corridor (CPEC) has been received. "We manufacture 120 small weapons and working on purchase orders for 56 weapons," they said. The law enforcement agencies like FC and Rangers were supplied with the weapons, they maintained.

http://epaper.brecorder.com/2016/12/14/1-page/827562-news.html

PRIVATE SECTOR CAN HELP ACHIEVE REQUIRED GDP GROWTH RATE: APBF CHIEF
Business Recorder, December 16, 2016

KARACHI: All Pakistan Business Forum President Ibrahim Qureshi has said the private sector can play role in investment and job creation to achieve the required seven percent GDP growth rate in the country, as the private sector knows the art of making markets work, managing risks and fostering competitiveness and innovation.
In a statement, he said the public-private partnerships were critical for inclusive and sustainable economic growth, he said, adding the implementation of policies was a key challenge in the country.

"Only the private sector can drive long-term value creation for their shareholders and stakeholders by developing business models, systems, processes and production chains that manage the economic, social and environmental dimensions in a balanced manner," Ibrahim Qureshi added.

He said there was a need to introduce reforms in the tax system and new sectors should be brought under tax net. He said smuggling, under invoicing and mis-declaration were big challenges for the local industry.

Terming the present tax system of the Federal Board of Revenue as a big challenge for existing and new businesses, he suggested that taxpayers needed to be honoured with a view to improve revenue collection.

APBF President suggested that FBR must cautiously exercise enforcement powers against the taxpayers, who are regularly contributing revenue to the national kitty. FBR's field formations should avoid exercising powers to issue notices, sealing of business premises and attachment of bank accounts on groundless basis.—PR

http://www.brecorder.com/business-and-economy/189:pakistan/113888:private-sector-can-help-achieve-required-gdp-growth-rate-apbf-chief/?date=2016-12-16