January 2017

NEWS COVERAGE PERIOD FROM JANUARY 23RD TO JANUARY 29TH 2017

PRIVATISATION: 'GOVT TO ENSURE TRANPARENCY'

The Express Tribune, January 25th, 2017.

Islamabad: Finance Minister Ishaq Dar has said that it is the government's top priority to ensure complete transparency while transacting privatisation of state enterprises. He said this while chairing a meeting here on Tuesday to review matters related to privatisation.

The finance minister said that the government is actively working to resolve the financial issues caused to the national exchequer by loss-making state-owned enterprises. He said that the government is making a decision regarding the restructuring or privatisation of each loss-making entity on a case-by-case basis while keeping in view the specific circumstances of each entity.

He urged the privatisation commission to complete the ongoing transactions in a timely manner whilst ensuring full compliance with the applicable laws and regulations.

http://tribune.com.pk/story/1305917/privatisation-govt-ensure-tranparency/

DAR FOR MOBILISING PRIVATE SECTOR FOR LONG-TERM FINANCING
Dawn, January 26th, 2017

ISLAMABAD: Finance Minister Ishaq Dar on Wednesday proposed to the International Finance Corporation (IFC) — a member of the World Bank Group — to establish a new institution in Pakistan for mobilising long-term financing needs of infrastructure projects through the private sector.

During a meeting with Country Manager IFC, Nadeem Siddiqui, the finance minister said that majority of equity for the proposed new institution may be provided by IFC and other International Financial Institutions (IFI) and multilateral organisations while the government may be a minority shareholder.

Mr Dar said the proposed new institution will be a private sector-led financing platform, supporting development across key sectors in the form of public-private partnerships (PPP) or other types of private investments in infrastructure.

Mr Siddiqui said the IFC welcomes the proposal to establish a new institution focused on catalysing private sector financing and investment in infrastructure projects. The IFC expressed keen interest to work with the government for establishing the proposed new institution and for IFC to provide equity funding for the institution.

He said IFC will submit a detailed working on the new institution in due course with a clear action plan.

The finance minister said the government welcomes all opportunities to partner and collaborate with IFIs and multilateral organisations for the development and betterment of the country.

https://www.dawn.com/news/1310721/dar-for-mobilising-private-sector-for-long-term-financing

NEWS COVERAGE PERIOD FROM JANUARY 16TH TO JANUARY 22 ND 2017
PLAN TO LEASE OUT PAKISTAN STEEL MILLS FOR 45 YEARS
Dawn January 17th, 2017

Khaleeq Kiani

ISLAMABAD: As Pakistan Steel Mills (PSM) continues to pile up liabilities, the government is considering leasing the country's largest industrial complex to a private concern for 45 years under a revenue sharing arrangement, and laying off almost 5,000 employees.

On Monday, a transaction committee discussed various options in this regard, based on which the Privatisation Commission's board will meet on Tuesday (today) to decide the duration of the lease. Sources privy to the development said a meeting of the cabinet committee on privatisation has been called over the weekend to approve the transaction structure.

"The present state of PSM is due to unchecked corruption, inefficiency, over-employment and the government's lukewarm attitude towards its revival," summarised a report to the Economic Coordination Committee by the secretary of the industries ministry.

A previous attempt to sell the PSM by then prime minister Shaukat Aziz to a Saudi-led consortium for Rs21.6 billion ($362 million) was struck down by a landmark Supreme Court ruling in June 2006, which practically led to a halt of the privatisation programme for almost eight years.

The PSM's accumulated losses and liabilities, which stood at Rs26bn at the end of 2008, have increased to around Rs415bn, including Rs166bn payable liabilities.

The government has injected over Rs85bn out of the federal budget for various bailout packages since than.

It was clear from the deliberations on Monday that the government would take care of liabilities worth Rs166 billion and offer voluntary separation scheme (VSS) to at least 4,835 employees and outsource the services of some of the remaining workforce to the new operator.

The PSM's total liabilities and losses have more than doubled since the PML-N government came to power in May 2013. At least $5 billion has been spent on 'replacement imports' ever since the PSM was put on 'hot-mode-zero production' since June 2015.

An official who attended the meeting of the transaction committee led by Zafar Sobhani, a private sector expert, told Dawn that selling the company at this stage would be difficult to pull off. The options finalised by the transaction committee included a concession agreement or lease agreement with the private concern.

He said three lease or concession terms had been proposed with a maximum of 45 years. A Chinese group, an Iranian firm and a local steel group are reported to have shown interest.

Bidding will be held on the basis of revenue sharing with the government during the lease tenure. The government will convert its Rs33 billion financing/loans and guarantees into equity and issue interest-bearing coupons to the Sui Southern Gas Company for Rs35bn dues and Rs50 billion to banks for interest/loans repayment and bear about Rs17 billion of the employees' severance cost.

The lease agreement will require the new firm to revive 25 per cent of the plant's capacity utilisation in the first year, raise it to 50 per cent in the second year and to 85 per cent after that. The government will retain the right to encash the investor's bank guarantee if the private concern fails to achieve 50pc capacity utilisation at the end of two years or 85pc capacity utilisation between three and five years.

The PSM's land will remain with the government while the plant and machinery will be handed over to the new company for a maximum of 45 years.

The investor will form a new company registered in Pakistan and operate the plant on its existing premises. All non-core assets will remain the property of the PSM while "all liabilities on PSM books would be settled or restructured by the government before signing the lease or concession agreement with the new investor".

The government will also ensure resumption of all utilities, particularly natural gas, while the assets or capital expenditures (Capex) will be transferred to the PSM at the end of the lease term for a notional value.

The investor will not be allowed to mortgage existing assets to raise finances but will be free to bring in equipment or invest to revive operations.

The investor will also have to commit to bring in its own working capital and share a revival and expansion plan. "The lessee will pay a lease amount to the PSM as a percentage of revenue."

The sources said that PSM's employees will be retained on the PSM payroll and be outsourced to the lessee. The core regular staff strength is currently estimated at 19,700, of which the government expects 4,835 to be laid off through VSS.

A few weeks ago, the Ministry of Industries and Production warned the government that a humanitarian crisis was brewing in the mills because of non-payment of wages and medical expenses. Salaries have been paid from the federal budget for over two years and are considered outstanding since October 2016. Since the mill is no longer considered an "ongoing concern" for auditors, the PSM's three-year accounts could not be audited.

The PSM had previously leased out about 157 acres of prime land to the Port Qasim Authority for Rs1.467bn on a 30-year extendable lease to ensure emergency payments on account of unpaid utility bills.

http://www.dawn.com/news/1308868

NEW COMPANY PLANNED TO RUN PSM FOR UP TO 30 YEARS
Dawn, January 18th, 2017

Amin Ahmed

ISLAMABAD: The Privatisation Commission unveiled on Tuesday a plan under which a company would be set up to run the Pakistan Steel Mills (PSM) for up to 30 years on the basis of sharing of revenue.

The proposed transaction structure and a tripartite concession agreement are expected to be approved by the Cabinet Committee on Privatisation on Friday, to be chaired by Finance Minister Ishaq Dar.

According to a decision taken by the commission's board, the entire land of the country's largest industrial complex would remain with the government while its plants and machinery would be handed over to the new company for a maximum of 30 years. The board decided that no asset of the PSM would be sold.

The financial advisers appointed for suggesting ways to restructure the PSM proposed the establishment of the new company, the commission said.

The board of the Privatisation Commission also approved the transaction structure of the SME Bank, which included sale of 93.88 per cent shareholding of the government.

Based on the proposed structure, the State Bank of Pakistan (SBP) would allow a reduced Minimum Capital Requirement of Rs6 billion on staggered basis for five years, with Rs2bn upfront and Rs1bn each for the next four years.

The SBP would also issue a new banking licence of a specialised nature with at least 60 per cent advances for the SME sector to the investor while also allowing the Capital Adequacy Ratio of 10 per cent for five years after privatisation.

Following a request by the information ministry, the board agreed to delist the Shalimar Recording and Broadcasting Company from the privatisation programme.

It agreed to constitute a committee to evaluate the viability of delisting the Sindh Engineering Limited (SEL), as requested by the industries ministry. The committee would assess the legal status of the SEL assets and provide a comparative analysis in case of privatisation and restructuring or delisting of the entity.

The board also approved the initiation of a process for hiring of financial advisers for the Pakistan Re-Insurance Company, National Insurance Company and Heavy Electrical Complex (HEC).

Unsuccessful attempts were made in 2006, 2011 and 2013 to privatise the HEC.

http://www.dawn.com/news/1308868

PAKISTAN STEEL, PIA, OGDCL TO BE PRIVATISED BY JUNE
Dawn, January 19th, 2017

Amin Ahmed

ISLAMABAD: The government will complete transactions of three major public sector entities by June this year, Chairman of Privatisation Commission, Muhammad Zubair said on Wednesday.

Talking to Dawn, he described 2017 as a ‘strong year for privatisation’.

In addition to Pakistan Steel Mills (PSM), the government has decided to complete the transactions of Pakistan International Airlines (PIA) and the Oil and Gas Development Company Limited (OGDCL) by June this year, Mr Zubair said.

A company will take over the PSM in June, he said, adding the two considered objectives of the decision are to stop bleeding the revenue and to get the mill running on a sustainable basis.

The Cabinet Committee on Privatisation (CCoP) will meet on coming Monday to approve the transaction structure of PSM and the tripartite concession agreement, following which the formal process will begin, including the appointment of financial advisers, preparation of technical reports and financial bids, he explained.

The mills will remain a shell company and the new company – which will run the mill for 30 years – will build relationship with PSM.

Under the revenue sharing agreement, the new company will pay to PSM.

The Privatisation Commission chairman disclosed that an Iranian state company and Pakistani and Chinese companies have shown interest in investing in the PSM.

A delegation of an Iranian company recently visited Pakistan to explore possibilities for making investment in the mill.

During their week-long stay, the delegation held talks with the government officials and also visited the mill.

Talking about the debt of Rs44 billion against gas charges that the mill has piled up, Mr Zubair said the bill would either be settled by the government or the payment would be deferred.

When asked about the future of PSM employees, Mr Zubair said that it would entirely depend on the new company as to how many employees they would require.

Those whose services would no longer be required will be offered retirement packages, he added.

About PIA, Mr Zubair said a committee has been formed, led by Planning and Development Minister Ahsan Iqbal, to prepare a business plan for splitting the national carrier into two companies. The entire process will be completed by June, he added.

The business plan will deal with improving the financial and operational performance of PIACL on a sustainable basis, in coordination with the PIA management.

The proposal will be finalised next month and submitted to the CCoP.

The first meeting for the purpose will be held on Thursday.

Mr Zubair said the privatisation of OGDCL will be taken up on a fast-track basis and would be completed by June.

The OGDCL transaction was earlier postponed due to political pressure and significant drop in global oil prices. However, the oil market is now in a stable position.

He disclosed that four more public sector entities — First Women Bank, House Building Finance Corporation, Pakistan Re-Insurance Company and National Insurance Company — have been included in the privatisation list.

http://www.dawn.com/news/1309310

NEWS COVERAGE PERIOD FROM JANUARY 9TH TO JANUARY 15TH 2017
THE POWER PRIVATISATION DILEMMA
Dawn, Business & Finance weekly, January 9th, 2017

Khalid Saeed

Privatisation of power generation and distribution companies was part of the PML-N’s manifesto for the last elections and to quote the chairman of the Privatisation Commission, “the only solution to the energy crisis”.

A road show in the US was arranged in collaboration with the World Bank in October 2015 to invite foreign investment. Due to the persistently poor financial health of these state enterprises, the privatisation list included public sector power utilities as part of the IMF’s $6.7bn package.

However, Pakistan conveyed to the IMF its inability to proceed with privatising these power companies in February 2016. In its parting note, the IMF underscored the need for reforms in the power sector, including privatisation, as an essential requirement for the country to stabilise its economy and achieve sustained economic growth.

What led to this about-turn? The threat of political fallout and confrontation with labour unions apparently gave the government cold feet. With elections due in 2018, the chances of privatisation seem improbable.

But is it in the best interest of the country? While the government's volte-face may have been triggered by political expediency — rather than any sound economic reason — we need to examine if global experience makes out an incontrovertible case for the privatisation of power companies so that they may improve their efficiency and financial position while ensuring better service quality for consumers.

In the power supply chain, most of the losses and revenue leakages are suffered by the distribution segment, something which affects the overall performance and economics of the sector.

So far, in Pakistan, while the private sector has been contributing robustly in power generation, the experience of private sector participation in the distribution sector has only been limited to the Karachi Electric supply company (KESC), now renamed Karachi Electric.

Reforms have largely been a success in Chile and Brazil resulting in a healthy competitive market with low overall tariffs and improved operational and technical performance compared to pre-reform days.

In Pakistan, a recent study has concluded that the privatised Karachi Electric Company 'is performing exceptionally well in comparison to the two state-owned companies Pesco and IESCO due to decline in transmission and distribution losses, profitability and leaner organisation with adoption of newer technology.'

Notwithstanding a few success stories cited above, international financial institutions have been facing stiff resistance from most of the developing countries against their proposals to unbundle and liberalise electricity systems.

In fact, the last decade has seen a higher trend towards nationalisation rather than privatisation. It has been observed that private companies increase electricity prices for consumers but do not make the investments required for improving the sector's infrastructure and efficiency.

Over the last ten years, privatised distribution and generation companies have been wholly or partly re-nationalised in Argentina, Bolivia, Brazil, the Dominican Republic and Venezuela, and there have been no new privatisations. In Africa and Asia, there are very few examples of the private sector managing and operating the distribution of electricity.

The common global experience of the privatisation of the power sector has indicated a consistent pattern of problems including consumers' opposition, lack of competition, higher prices, oligopoly and lack of investments or innovations, according to a study conducted in 2013.

About half the developing countries in the world have tried some form of unbundling but most developing economies have rejected, frozen or reversed liberalisation.

A review of various studies reveals that the privatisation of electricity in developing countries, without the right institutional infrastructure and political will, is a dangerous policy.

The question, whether to privatise or not, does not necessarily have to be viewed in black and white. There are a number of ways in which we could opt for pragmatic privatisation.

In fact the focus should shift from the single question of ownership of the service-provider to a broader question of how to improve the institutions that produce or supply the services, whether in the public or private sectors.

Accountability before the shareholders, as well as fulfilment of the stated goals of public welfare, should be the guiding principles for the governance of these entities.

The writer is former chairman, Nepra, and is currently head of Energy Research Centre, Comsats.

https://www.dawn.com/news/1307210/the-power-privatisation-dilemma

WORKERS DEMAND GOVT REVERSE DECISION TO PRIVATISE GARBAGE DISPOSAL
Dawn January 10th, 2017

KARACHI: A large number of civic agency workers left their job of garbage collection and staged demonstrations at different places on Monday to protest against the Sindh government's plan to hand over garbage collection and disposal in the city to a private company.

The protest was organised by the local government anti-privatisation committee, and its leaders Zulfiqar Shah and Kaneez Fatima, among others, spoke at the demonstration. It was highlighted that the establishment of the Sindh Solid Waste Management Board (SSWMD) was an attempt to interfere in the jurisdiction of all civic agencies that had been handling garbage disposal in the city since their establishment.

They said that if staff shortage was overcome, equipment repaired and brought on to the roads, and if even half the resources that were being made available to the Chinese company were provided to the civic agencies, they could clean the city within a year.

The workers said that they would continue their protest till the government took back its decision of handing over garbage disposal to the private company and decided to give the job back to the civic agencies.

Earlier, the workers gathered at the Karachi Metropolitan Corporation (KMC) workshop at Nishtar Road and along with garbage trucks took out a procession. After passing through MA Jinnah Road they then staged a demonstration at the KMC head office. Later the procession, after passing through various city roads, came to the office of the SSWMB on Tipu Sultan Road.

The protestors then reached University Road and staged a demonstration near the Civic Centre and Gulshan Zone office of the District Municipal Corporation, and as a result traffic was disrupted on one of the busiest traffic arteries of the city.

The protesters were carrying banners with their demands written on them and were chanting slogans. Several workers also took out smaller processions from different parts of the city which, after passing through various city roads, joined the main procession.

https://www.dawn.com/news/1307449/workers-demand-govt-reverse-decision-to-privatise-garbage-disposal

MAKLI CIVIL HOSPITAL HANDED OVER TO NGO
Dawn, January 11th, 2017

THATTA: The management of the Makli Civil Hospital was formally handed over to a non-governmental organisation, the Medical Emergency Resilience Foundation (MERF), under the public-private partnership arrangement at a ceremony held here on Tuesday. Sindh Minister for Health Dr Sikandar Mandhro, Health Secretary Dr Fazlullah Pechuho, MERF chief executive officer Syed Miran Shah and others spoke at the ceremony attended by political and social activists, besides elite of the area.

In his speech, Dr Mandhro said the provincial government would induct around 6,000 fresh doctors soon after they qualified the Sindh Public Service Commission exam. This, he said, would help overcome a shortage of doctors at government health facilities in the province.

The minister noted that the management of 164 government hospitals had so far been handed over to the private sector to improve their services to the general public. They included 13 hospitals of Thatta and Sujawal districts, he added.

He held out the assurance that not a single doctor, paramedic or other employee of these government health facilities would be retrenched on account of the partnership arrangement.

Health Secretary Dr Pechuho told the audience that 50 per cent of the construction work of the Thatta Civil Hospital's emergency block had already been completed and the remaining work would be completed very soon.

https://www.dawn.com/news/1307659/makli-civil-hospital-handed-over-to-ngo

NEWS COVERAGE PERIOD FROM JANUARY 2ND TO JANUARY 8TH 2017
DAR BRIEFED ABOUT STATUS OF PRIVATISATION TRANSACTIONS
Business Recorder, January 04, 2017

Federal Minister for Finance, Revenue, Economic Affairs, Statistics & Privatisation, Senator Ishaq Dar Tuesday chaired a meeting here at the Finance Ministry to review matters related to privatisation. Chairman Privatisation Commission Mohammad Zubair briefed the minister on the privatisation programme approved by the Cabinet Committee on Privatisation (CCOP), says a press release issued here.

He briefed the minister on the status of the ongoing privatisation transactions and post-privatisation matters. He also briefed the minister on the performance of the Privatisation Commission for the six-month period ended on 31st December 2016.

The finance minister emphasised that Privatisation Commission should undertake all necessary efforts to complete the ongoing transactions in a timely manner in accordance with processes defined in the Privatisation Commission Ordinance, 2000.

He urged the Privatisation Commission to ensure that privatisation transactions are conducted in an open, fair and transparent manner. He said that the privatisation programme is a major component of the present government's home-grown structural reforms agenda. The meeting was attended by senior officials of the Ministry of Finance and Privatisation Commission.-PR

http://www.brecorder.com/business-and-economy/189:pakistan/120023:dar-briefed-about-status-of-privatisation-transactions/?date=2017-01-04

February 2017

NEWS COVERAGE PERIOD FROM FEBRUARY 20TH TO FEBRUARY 26TH 2017
PRIVATISATION COMMISSION FAILING TO PLUG LOSSES
The Express Tribune, February 20th, 2017.

Ali Salman

Islamabad: The Privatisation Commission – largely mandated to save public exchequer money from wasteful spending on inefficient and loss-making state-owned entities (SOEs) – has not privatised any such entity in the last three and a half years, though the priority list has 31 companies.

The commission has not plugged even a single rupee loss that has been burdening public finance.

It is not to suggest that the Privatisation Commission has not earned any revenue from its transactions in these three and a half years. In fact, it has realised Rs172.9 billion in four capital market transactions and one strategic sale.

These capital market transactions included UBL (Rs38.2 billion), PPL (Rs15.4 billion), ABL (Rs14.4 billion) and HBL (Rs102.4 billion), whereas the strategic sale of National Power Construction Company fetched Rs2.5 billion.

There is one common feature in all five transactions – none of these companies were making a loss.

The banks and the petroleum sector company have been in sound financial condition with or without privatisation and the power construction company had over $800 million worth of successfully delivered projects since it was created in 1974.

But as a rule even these transactions should be acknowledged as a success as the opportunity cost of not doing it may still be quite high.

It seems that the big holes created by SOEs such as Pakistan Steel Mills (PSM), Pakistan International Airlines (PIA) and some power generation and distribution companies have been placed on the back burner.

In a recent meeting, the finance minister actually approved additional guarantees for the ailing national airline and once again approved payment of outstanding salaries of employees of arguably Pakistan's largest (non-functional) industrial complex – PSM.

PIA got a new bailout package of Rs10 billion through enhancement of bank guarantees that the government underwrites.

In fact, Planning Minister Ahsan Iqbal is on record saying that the privatisation of power distribution companies has been deferred as it is likely to bring uncertainty in the sector at a stage when the power sector is receiving record inwards investment.

As a matter of fact, the finance minister believes that the decision to defer the transactions of PSM and OGDC would pave the way for economic growth of the country and also improve financial health of the entities.

Thus, in essence, as far as the major mandate of plugging losses of SOEs is concerned, the Privatisation Commission has nothing to report. Not only that it cannot take the credit of saving even a single rupee, it has also failed to promise it in the foreseeable future.

Prime Minister Nawaz Sharif brought Muhammad Zubair as the chairman of Privatisation Commission from the corporate background, hoping that he would bring in the desired level of efficiency in the privatisation programme.

Notwithstanding his hard work on the desk, and his tireless appearances on electronic media for defending the premier, the results are far from encouraging.

It should not be hard to understand why. By law, when the cabinet includes an entity in the privatisation list – PIA and PSM were included in that list 20 years ago in 1997 – it places the control of such entities in the hands of Privatisation Commission.

In practice, however, the line ministries retain the influence and power over these entities. The Ministry of Defence controls PIA and the Ministry of Industries controls PSM in practice. Their own interest lies only in making the privatisation programme a failure.

Also, it is very difficult to imagine that the Privatisation Commission can actually allocate management resources to take any meaningful managerial decisions for the SOEs, over which it has a theoretical control.

It leads us to conclude that while the chairman of the Privatisation Commission can be seen as fairly active running the complicated processes, he does not have the real power and mandate over the fate of his own agenda. The real force can only be with the prime minister or the finance minister.

However, the prime minister has arguably stopped taking the privatisation programme seriously and the finance minister is only interested in creating more cash – albeit through capital market transactions. As the chairman of privatisation programme reports to the finance minister, this sums up the whole process.

The most important yardstick of successful privatisation is plugging losses in loss-making SOEs. It is clear that this has not happened to any degree in the last three and a half years. It is unclear if it is even a priority of the current administration.

As the election season sets in, the probability of tough decisions will only decrease. We might actually observe more bailouts in the future, thus derailing the entire programme.

The writer is founder and executive director of PRIME Institute, an independent economic policy think tank based in Islamabad

https://tribune.com.pk/story/1332528/privatisation-commission-failing-plug-losses/

NEWS COVERAGE PERIOD FROM FEBRUARY 13TH TO FEBRUARY 19TH 2017
GOVT EARNED RS1.73TR FROM PRIVATISATION OF FIVE ENTITIES, SENATE TOLD
Dawn, February 15th, 2017

ISLAMABAD: The government has privatised five important state-run entities since 2013 and claimed to have earned Rs1.73 trillion.

Finance Minister Ishaq Dar told the Senate on Tuesday that the government had sold 20 per cent shares of the United Bank Limited (UBL) at a cost Rs38.2 billion, 5pc shares of the Pakistan Petroleum Limited (PPL) at a cost Rs15.34bn, 11.46pc shares of the Allied Bank Limited (ABL) at Rs14.44bn, 41.5pc shares of the Habib Bank Limited (HBL) at a cost Rs102.34 bn and 88pc shares of the National Power Construction Corporation (NPCC) at a cost Rs2.5bn.

The minister was replying to written questions asked by Senator Mohammad Talha Mahmood about the amount received by the government from privatisation of the public sector entities and the details of its utilisation.

“The Privatisation Commission (PC) has completed five privatisation transactions, during the present regime, since 2013 and have generated proceeds of Rs1.73 trillion,” the minister said.

He said the PC remitted proceeds to the Finance Division as deposits in the Federal Consolidated Fund and were spent on poverty alleviation and debt retirement.

The minister said the PC had realised full proceeds pertaining to privatisation transactions executed during the present regime since 2013 and no amount was outstanding in this regard.

The commission, he said, would establish and maintain a distinct and separate Privatisation Fund in which all privatisation proceeds would be deposited.

Answering a separate question, Law Minister Zahid Hamid said that 19 banks had written off Rs4,653 million loans since March 2010.

Responding to various supplementary questions, the minister clarified that the loans were waived off by the banks and the government had nothing to do with it.

Giving the break-up, he said, the Al Baraka Islamic Bank waived off Rs3.250m, the Allied Bank Rs271.583m, the Askari Bank Limited Rs1.027m, Bank Al Habib Limited Rs0.255m, Bank Al-Falah Rs230m, Bank Islami (Ex-KASB Bank) Rs540m, the Faysal Bank Rs110.570m, the First Women Bank Rs.0.065m, the Habib Metropolitan Bank Rs3.086m, the JS Bank Rs10.833m, the NIB Bank Rs440.177m, the Samba Bank Rs0.165m, the Silk Bank Rs50.212m, the Summit Bank Rs12.480m, the Standard Chartered Bank (Pakistan) Rs819.947m, the Soneri Bank Rs0.248m, The Bank of Punjab Rs0.460m, the United Bank Limited Rs971.080m and the Zarai Taraqiyati Bank Rs1,187.365m.

In response to another question, Mr Hamid said efforts were under way to gradually adopt Islamic mode of financing in the country.

He said the State Bank of Pakistan (SBP) had allowed three types of Islamic banking whereas every bank operating in the country had its own Sharia board to seek guidance for Islamic banking.

The minister said that over 2,000 branches of 21 banks were operating across the country to provide Islamic banking to customers in addition to other services.

Minister for Science and Technology Rana Tanvir Hussain informed the Senate that the Pakistan Standards and Quality Control Authority (PSQCA) has issued notices to 13 packaged liquid milk processing units to get certification marks licence.

He said milk manufactures to whom notices were issued are: Premier Dairies, Gourmet Foods, Shakarganj Food Products, Noon Pakistan, Nestle Pakistan, Adams Milk Food, Haleeb Food,

Answering a question, Minister for Planning and Development Ahsan Iqbal informed the upper house that eight economic zones would be set up one each in four provinces as well as Gilgit-Baltistan, Azad Kashmir, Federal Administered Tribal Areas (Fata) and the federal capital under the China-Pakistan Economic Corridor (CPEC).

He said the zones were being established with the consensus of provincial governments.

He said the total volume of investment under the CPEC was $48bn and out of this amount $34.7bn was being invested in the energy sector, $4.17bn on roads, $8.2bn in rail network, $780m in Gwadar Port and $46m in fiber optic.

He said 75pc of the total amount under the CPEC was investment while remaining was soft loans on 2pc mark-up. The repayment period for the loans is 20-25 years.

The minister said the bulk of CPEC projects were related to energy to make Pakistan self-reliant in this sector.

He said the investors were directly investing in energy sectors under the CPEC and these investments were not being made through national exchequer. “The Chinese government provides a panel of companies and contract is awarded to the lowest bidder and Pakistan has nothing to do with this procedure,” he added.

Mr Iqbal said the government was constructing infrastructure projects of over Rs200bn in Balochistan on priority basis which would connect the province with rest of the country.

He said all these projects would be completed within two-five years which would open up new avenues of economic growth, development and progress in the province.

https://www.dawn.com/news/1314858

NEWS COVERAGE PERIOD FROM FEBRUARY 6TH TO FEBRUARY 12TH 2017
NA BODY OPPOSES PRIVATISATION OF HEAVY ELECTRICAL COMPLEX
Dawn February 6th, 2017

ISLAMABAD: The National Assembly Standing Committee on Industries and Production has opposed the government’s plan to privatise Heavy Electrical Complex (HEC), Haripur, since the public-sector entity has become profit-earning and is starting to overcome its losses.

According to the committee’s report, laid before the lower house on Friday, the government was also asked whether the Heavy Mechanical Complex (HMC), Taxila, should work under the Ministry of Industries and Production, or whether it should be transferred under control of the Ministry of Defence Production or the military’s Strategic Plans Division (SPD).

“[In] 2015-16, the net profit of HEC was Rs100 million,” the report stated, adding that it was not possible to wipe out all of the entity’s losses in a couple of years. “Therefore, there is no reason to privatise it,” the committee recommended.

The committee also urged the government to provide salaries to all HMC employees on priority basis.

Committee members visited HMC last year, the report stated, and had recommended that HMC should be connected with China-Pakistan Economic Corridor (CPEC)-related projects.

The Cabinet Committee on Privatisation had approved the strategic sale of HMC shares to Cargill Holdings for Rs905 million in March 2015. However, the firm was not able to make the required payments in time and the deal was struck down. Now, the government is looking to put the HMC on its privatisation list again.

In June last year, the Public Accounts Committee (PAC) of the National Assembly had also opposed the HMC’s privatisation, since it had become a profit-earning entity.

This is not the first time abortive attempts at privatising HMC were made. In 2006-07, four investors initially expressed an interest in acquiring the entity and two interested parties pre-qualified, but neither put up the ‘earnest money.’

In 2011-12, four other parties expressed interest, but only one met the pre-qualification criteria, which then failed to deposit the earnest money after conducting due diligence.

Then, in 2013, three parties pre-qualified, only two conducted due diligence, but neither deposited the ‘earnest money’ due to the company’s weak condition.

Established in the early 1970s, HMC has designed, manufactured and installed 46 sugar mills and 22 cement plants of various capacities, as well as providing bridges and equipment for power plants.

Other engineering goods manufactured by the HMC include road-construction machinery, industrial boilers, cranes, railway equipment, truck chassis and axles, equipment for fertiliser plants, chemical plants and oil refineries, besides a variety of steel structures, castings, forges, spare parts and components.

HMC consists of two major industrial units; the Mechanical Works, and the Foundry and Forge Works. The facilities at the HMC include fabrication, machining and assembly, steel, cast iron and non-ferrous foundry, forging, heat treatment, surface treatment, galvanising, woodworking, dies and tool room and other infrastructure, supported by comprehensive quality assurance and control systems.

http://www.dawn.com/news/1313053/na-body-opposes-privatisation-of-heavy-electrical-complex

RESOLVING ISSUES: GOVT URGED TO ADDRESS CONCERNS OVER KAPCO’S PRIVATISATION
The Express Tribune, February 9th, 2017.

Zafar Bhutta

ISLAMABAD: The government wants investors to take interest in the 600MW coal expansion project, in addition to taking control of Kot Addu Power Company Limited (Kapco).

Kapco, which is located in Kot Addu, is also where it plans to set up its extension – a 600MW coal-based plant – which the local community is protesting against due to environmental concerns.

The extension in agreements and liquidity damages amounts to Rs27 billion, which appears on Kapco’s financial statements andis causing bottlenecks in its privatisation, stated the Privatisation Division to the Cabinet Committee on Privatization (CCoP) in its meeting held on January 27.

Due to this hindrance in privatising Kapco, the government wants an investor to take greater interest in key decisions related to the coal expansion project envisaged by Kapco.

The Privatisation Division said financial advisors had highlighted key issues to be resolved by the Pakistani government to attract investor interest. The advisor proposed assurances from the government on the renewal and extension of major agreements expiring in 2021 including Power Purchase Agreement (PPA), generation license, gas supply agreement, fuel supply agreement and facilitation agreement.

It asked for further assurances on the fate of Kapco’s liquidity damages, adding that the potential investor should be requested to have greater involvement in key decisions with regard to the project.

Privatization Division said that non resolution of the issues, despite key investor interest in the transaction, eventually led to a poor response from investors as only four parties requested for an Expression of Interest (EOI) and none had submitted the document by October 13, 2016.

It was also stated that the financial advisor had conveyed that in the absence of such guarantees, the government might have to significantly compromise on its earnings.

The Privatization Commission board was unanimously of the view that without provision of adequate comfort to the investors on the matter of renewal, extension of PPA and resolution of liquidity damages, the bidding price for the transaction might be significantly impacted.

Privatization Division proposed reinitiating the Kapco transaction subject to the Ministry Of Water and Power providing the requisite comfort letter for the extension of PPA.

The cabinet committee directed the Privatization Division and Ministry Of Water and Power to immediately finalise the comfort letter after settling all the issues regarding terms and conditions, timelines of extensions and other modalities.

https://tribune.com.pk/story/1321045/resolving-issues-govt-urged-address-concerns-kapcos-privatisation/

NEWS COVERAGE PERIOD FROM JANUARY 30TH TO FEBRUARY 5TH 2017
PIA PILOTS' BODY DIVIDED OVER PRIVATISATION
The Express Tribune, January 31st, 2017.

Salman Siddiqui

Karachi: Pakistan International Airlines (PIA) is again divided over the issue of privatisation, as the elected president of Pakistan Air Line Pilots' Association (PALPA) has expressed support for the sell-off process, while other members remained fiercely opposed to any such move.

The association is in favour of "transparent privatisation of PIA," PALPA-President, Captain Khalid Hamza said at a press conference on Monday.
However, vice president, general secretary and about half-a-dozen members present on the occasion took a categorical stance during the conference, saying that they are completely against its privatisation.

The president and other members of PALPA remained firm on their stances till the conference ended.

Later on, Hamza said he gave the statement in his private capacity.

The association has warned PIA that if the airlines' board of directors fail to approve the issues regarding salaries – as agreed upon – in the next scheduled meeting on February 16, then they would have to consider other options to deal with the management.

They, however, denied disclosing the available options with them at this point of time. "We would deliberate upon the options at our annual general body meeting scheduled for February 25," Hamza said.

"We do not want to damage the airlines… whatever we will do will not harm the airlines," he said, further adding, "Grounding the planes [wheel jam strike] is not among the options."

PALPA has many times adopted the 'go slow' strategy, which resulted in delaying flight operations that sometimes compelled the management to postpone and/or cancel flights on domestic and international routes.

A member of the association, speaking on the sidelines of the conference, assured that they would not employ the 'go slow' option this time.

He said that their demand to the board of directors is not to increase their salaries, but that agreed salaries are paid on time.

For the last four months, the management is deducting about 20% salaries of pilots, he said. Moreover, they are paying salaries in two instalments every month. "This practice should be corrected," he said.
PALPA also criticised the PIA management for acquiring new aircraft at exorbitant rates and that too along with air staff.

"PIA is paying a sum of $8,100 per hour for the A-300 it acquired from SriLankan Airlines last year," Hamza said.

This is of the same (make and model) aircraft that PIA has acquired at a rent of $5,400 per hour from Air Asia Airlines earlier. Both aircraft are made in 2014-2015.

The plane from SriLankan Airlines is operating at a loss to the UK.

The plane was acquired with air staff on the condition that it would later-on be operated by PIA staff.

"PIA staff has been trained for the aircraft. However, they are still waiting to take over the plane's control," he said.

Similarly, PIA has taken an aircraft (737-800) at a rent of $2,500 per hour from Pegasus of the Turkish Airlines with a condition of operating for a minimum of 10 hours a day.

The plane has replaced a working A310. However, the 737 cannot fly to Barcelona and China like A310 does, Hamza added.

PIA has lost 498 flights a week to gulf careers on domestic routes. "The routes include Faisalabad, Multan, Sialkot, Peshawar, Rahim Yar Khan and Quetta," he said.

"The common thing in lost business on domestic routes is that ground-handing for all those gulf airlines is done by a single company."

https://tribune.com.pk/story/1311797/difference-opinion-pia-pilots-body-divided-privatisation/

SME BANK SELL-OFF PLAN INCOMPREHENSIBLE, SAYS LCCI
The Express Tribune, February 2nd, 2017.

LAHORE: The Lahore Chamber of Commerce and Industry (LCCI) has fiercely resisted the government's plan to privatise SME Bank and has called for dropping the idea for the sake of small and medium enterprises (SMEs).

In a statement on Wednesday, LCCI President Abdul Basit and Vice President Muhammad Nasir Hameed Khan termed the planned privatisation of SME Bank an illogical decision taken without taking stakeholders on board.

They pointed out that SME Bank was supporting and developing the SME sector by providing necessary financial and technical assistance on a sustainable basis. The bank was also enabling the SMEs to contribute to economic development through value addition and exports and was promoting entrepreneurship and creating employment opportunities, they said. In the present scenario when SME Bank was fulfilling its responsibilities in a good manner, the LCCI office-bearers said, its privatisation was incomprehensible.

They suggested that instead of selling it off, the government should shift its focus to the SMEs as these were considered the engine of economic growth in both developed and developing countries. SMEs in Pakistan are providing employment to millions of people besides playing a significant role in economic progress of the country.

"Selling off SME Bank is not a good option as its buyer will think only about profiteering, not about the SME sector, therefore, the government should shelve the plan and think about the small and medium sector," they said.

https://tribune.com.pk/story/1314227/small-medium-enterprises-sme-bank-sell-off-plan-incomprehensible-says-lcci/

March 2017

NEWS COVERAGE PERIOD FROM MARCH 20TH TO MARCH 26TH 2017

NA PASSES 'PUBLIC PRIVATE PARTNERSHIP AUTHORITY BILL 2017'

Business Recorder 23 March 2017

Naveed Butt & Aamir Saeed

ISLAMABAD: National Assembly on Wednesday passed 'The Public Private Partnership Authority Bill, 2017' to promote domestic and foreign private investment in infrastructure as well as private sector participation in economic development.

The House also approved 'The Pakistan Commission of Inquiry Bill, 2017' to confer additional powers on a commission of inquiry constituted under Pakistan Commissions of Inquiry Act, 1956. Both of these bills have already been passed by the Senate.

The Public Private Partnership Authority is bound to present its annual report within 120 days after the end of each financial year and the authority shall cause a report to be prepared on its activities including public private partnership agreements, progress on projects and utilisation of fund under this act during that financial year before the Parliament.

The Public Private Partnership Bills maintained that notwithstanding anything contained in the Companies Ordinance, 1984 and any other law for the time being enforced, on the date of commencement of this Act, the company shall cease to exist and all assets, rights, powers, authorities and privileges and all property, movable and immovable, cash and bank balance shall stand transferred to and vest in the authority.

The bill also stated that reserve funds, investments and all other interests and rights in, or arising out of, such property and all debts, liabilities and obligations of whatever kind of the company subsisting immediately before the commencement of this Act shall stand transferred to and vest in the authority.

All contracts entered into or rights acquired and all matters and things engaged to be done by, with or for the company before the commencement of this Act shall be deemed to have been incurred, entered into, acquired or engaged to be done by, with or for the authority, as the case may be, said the bill.

All suits and other legal proceedings instituted by or against the company before the commencement of this act shall be deemed to be suits and proceedings by or against the authority as the case may be and may proceed and be dealt with accordingly, it said.

The bill also said that all employees of the company shall be deemed to be employees of the authority or not less favourable than the existing terms and conditions of the service, rights and privileges and other matters as were applicable to them before the conversation.

Earlier, speaking on a point of order in the House Leader of Opposition in the National Assembly Syed Khursheed Ahmed Shah accused the government of weakening the Federation through ignoring development in Sindh and Balochistan.

Sindh, Khyber Pakhtunkhwa and Balochistan continue to face electricity load shedding, he said, adding that only an economy which provides meal and livelihood to the people is acceptable to people of the country.

The opposition leader said the government claims that the economy has strengthened, but the people have been starving as the government has also refused to pass on benefits of substantial decrease in petroleum prices to the masses.

Talking about the 'Panama gate' issue, he said the people have been waiting for a verdict on the Panama Leaks and it is a challenge for the judiciary to give a solid verdict in this regard.

"The entire country is waiting for a decision in the Panama gate case," he said while pointing out absence of the Prime Minister and his cabinet members from the House.
He later walked out in protest against the federal government. Opposition parties, except MQM, also staged two walkouts against the policies of the government and out of order transaction of business of the day respectively.
Reports on 'The Constitution (Twenty-Fourth Amendment) Bill, 2016' and 'The Constitution (Twenty-Fifth Amendment) Bill, 2016' were also presented in the House.

The twenty-fourth and twenty-fifth constitutional amendments provide right of appeal within 30 days of an order of the Supreme Court under clause (3) of Article 184 (suo moto case) of the Constitution and increase in pensions of families of retired and deceased civil servants and widows of judges of superior courts from 50 per cent to 75 per cent respectively.

Pakistan Peoples Party Parliamentarians (PPPP) and Pakistan Tehreek-e-Insaf (PTI) lawmakers also pointed out quorum and it was found incomplete on both occasions and the proceedings remained suspended for over an hour.

NEWS COVERAGE PERIOD FROM MARCH 13TH TO MARCH 19TH 2017
THREE AIRPORTS: CAA THRUSTS ITSELF INTO PRIVATISATION ROLE
The Express Tribune, March 13th, 2017.
Shahbaz Rana

Islamabad: In violation of a law, the Civil Aviation Authority (CAA) is denying the Privatisation Commission (PC) the lead role in conducting the privatisation transaction to hand over Pakistan's three international airports to private parties, creating serious legal and transparency concerns.

Last month, CAA directly issued a request for proposals (RFP) from prospective investors for outsourcing the operation, management and development of the New Islamabad International Airport, Lahore's Allama Iqbal International Airport and Karachi's Jinnah International Airport.

The last date for submission of technical and financial bids for taking control of the three airports is March 25. The bidder that will apply for acquiring the New Islamabad International Airport would be responsible for its operationalisation by August this year.
CAA is part of the government's privatisation programme but not among the entities that have been picked for early privatisation. Even if CAA successfully completes the transaction, it cannot withstand the legal scrutiny, said finance ministry sources.

According to section 25 of the Privatisation Ordinance of 2000, privatisation of any manner, including lease and concession agreements, fall under the direct domain of PC.Moreover, section 5 of the ordinance states "PC will take operational decisions on matters pertaining to privatisation, restructuring, deregulation, regulatory issues including approval of licencing and tariff rules and other related issues pertaining to the privatisation programme approved by the cabinet." PC will also issue directions and instructions to the management of a business undertaking on all major important administrative, financial, reporting and policy matters, according to the Ordinance.

CAA is among entities the Council of Common Interests and the federal cabinet have approved for privatisation. Even so, CAA has been running a programme to hand over the country's three international airports to private parties. It had made similar attempts in the past but shelved the plan after objections raised by the PC.

This is not for the first time the Aviation Division has tried to undermine PC's role. Former adviser to prime minister on aviation Shujaat Azeem had also created hurdles in privatisation of PIA. At that time, the prime minister had to intervene to resolve the differences.

Aviation Division spokesman Sher Ali promised to give a response but later on did not pick the phone calls despite repeated attempts. PC Secretary Sardar Ahmad Nawaz Sukhera also declined to comment. Special Assistant to the Finance Minister Tariq Pasha also did not respond to a question on measures the finance and privatisation minister may take to stop CAA from carrying out the illegal move.

According to the ad given in the press, interested companies would be responsible to undertake the "operation, management, maintenance and development" of aeronautical and non-aeronautical assets, and land parcels in order to ensure effective management and development of facilities in and around such airports that are vital to safety and efficiency of airport operations and passenger satisfaction.

Since CAA does not have the expertise and legal mandate to undertake privatisation transactions, its plans have raised transparency concerns.
https://tribune.com.pk/story/1353718/three-airports-caa-thrusts-privatisation-role/

PRIVATE SECTOR ENCOURAGED TO RUN FREIGHT TRAINS
The Express Tribune, March 14th, 2017.

LAHORE: Federal Minister of Railways Khawaja Saad Rafique has invited the private sector to run freight trains and asked business chambers to coordinate to make the offer equally beneficial for the business community, Pakistan Railways (PR) and the economy in general.

"Public-private partnership will help revive this public entity," Rafique said while referring to the state-run rail company.

Speaking at the Lahore Chamber of Commerce and Industry (LCCI) on Monday, he wooed private-sector investors to come forward and do business with the railways.

Pointing out that a number of trains were being outsourced, he said under the public-private partnership model, the highest bid of Rs1.80 billion had been given for running the Shalimar Express whereas PR would get Rs1.14 billion more compared to the previous agreement for the same train service.

"Pakistan Railways is free of mafia and political influence as nepotism, corruption and undue favour destroy national institutions. Best leadership has been developed, which is playing a fundamental role in developing this national strategic asset," the minister declared.

PR revenues were rising considerably as it earned Rs36.58 billion in financial year 2015-16 compared to the target of Rs32 billion, he said.

A plan has been framed for the manufacturing of electric-diesel locomotives at Pakistan Locomotives Factory of PR. Special attention is also being paid to land management and land record is being computerised.
"Only the Khyber-Pakhtunkhwa government has transferred railway land in the wake of court orders; we expect Balochistan government to follow suit," Rafique said, cautioning that if Punjab and Sindh governments did not cooperate, he would not hesitate to go to court.

Speaking on the occasion, LCCI President Abdul Basit pointed out that in the recent past, PR was on the verge of collapse, but now the situation was quite good. "Still a lot of work has to be done," he said.

Basit suggested that rail tracks should be revamped in order to enhance the average speed of trains while the Central Traffic Control System should also be upgraded to stave off untoward incidents.

He called for keeping operational engines and power vans, which were standing in workshops, in good working condition as the China-Pakistan Economic Corridor (CPEC) would add to PR's work load.

He emphasised that service charges should be uniform at all dry ports, which would enhance PR revenues.Basit said public-private partnership could help resolve railway issues quickly, therefore, it should outsource maximum operations to the private sector as was the case in many other countries.

"Security arrangements in PR warehouses should be foolproof as a number of LCCI members have complained about theft at the T-10 shed at Wagah border," he said.

PR is one of the largest institutions of the country and it is the most important source of passenger and industrial goods movement.
https://tribune.com.pk/story/1354457/private-sector-encouraged-run-freight-trains/

NEWS COVERAGE PERIOD FROM FEBRUARY 27TH TO MARCH 5TH 2017
ADVANCES TO PRIVATE SECTOR REACH RS 410 BN
KARACHI: With low interest rate and better economic conditions, advances to private sector posted a historical growth, reaching Rs 410 billion in the last quarter of CY16, said the State Bank of Pakistan in its Quarterly Performance Review (QPR) of the Banking Sector for the quarter ended 31st December, 2016 (Q4CY16).
In terms of the QPR, the key highlight is the highest quarterly growth in advances to private sector in the last 10 years, which has contributed to most of the increase in assets. The lagged effect of consistent easy monetary policy, ample availability of liquidity owing to high deposit growth and maturing PIBs, CPEC related activities, and positive economic outlook are the major driving factors behind the impressive growth in advances, it added.

However, the report revealed that lower interest rate on the other side has hurt the banking sector profitability, which declined some 4.5 percent during the last calendar year (CY16).

The gross advances (domestic) to private sector have surged by a higher rate of 10.6 percent to reach Rs 410 billion during Q4CY16 as against 7.7 percent during Q4CY15. The major thrust (in volume terms) came from the rebound in textile sector followed by energy and sugar sectors. Other contributing sectors are agribusiness, financial, and cement.

The SBP also expecting that current growth momentum in the private sector credit will continue during this calendar year. Historical low interest rates, growth momentum of non-seasonal fixed investment advances, and shifting pattern of government borrowing suggest better prospects for private sector financing in the Q1CY17, it said. However, seasonal slowdown in demand for advances and net retirement in commodity financing may keep the overall advances growth in check, it added.

According to report the solvency profile of the banking sector remains robust as Capital Adequacy Ratio (CAR) of 16.17 percent is well above the minimum required level of 10.65 percent.

It said that the banking sector recorded a reasonable performance during Oct-Dec 2016 and profitability of the banking sector narrowed due to low interest rate environment and reduced quantum of investment. Accordingly, Return on Assets (ROA) has reduced to 2.1 percent in CY16 compared to 2.5 percent in CY15 and Net Interest Margin (NIM) has declined to 3.7 percent in CY16 as against 4.4 percent in CY15.

The credit risk profile of the banking sector improved with decline in non-performing loans ratios. On the solvency front, Capital Adequacy Ratio (CAR) has slightly declined to 16.17 percent due to rise in advances but it is still well above the minimum required level of 10.65 percent.
For the entire CY16, however, asset growth remains contained at 11.9 percent to Rs 15.831 trillion in CY16 compared to 16.8 percent growth in CY15 largely due to slowdown in investments in government papers. The key contribution has come from demand for credit from private sector; thanks to lag impact of monetary easing, better economic conditions, and improved liquidity.

Deposit growth has remained on steady path while 4th quarters profit has improved over last years though entire years profit slightly narrowed owing to low interest rate environment. Banks investments, however, have fallen by 1.5 percent to Rs 7.509 trillion during CY16 mainly on account of decline in investments in government securities.

Deposits, the key funding source of the banking sector, have observed growth of 13.6 percent growth in the Calendar Year 2016 and reached Rs 11.798 trillion mark. The addition in the overall deposits has been contributed by non-remunerative current deposits followed by fixed deposits and saving deposits. The report highlights that the high deposit growth in the 4th quarter as well in the entire year is a welcome sign considering deceleration in deposit growth observed in the last couple of years.

The asset quality of the banking sector has improved with decline in non-performing loans (NPLs) and corresponding ratios. Importantly, besides pick up in advances, recoveries in NPLs have played a pivotal role in bringing the ratio down.

The dip in interest margins and reduced quantum of investment has narrowed the Year-to-Date profitability of the banking sector from Rs 199 billion (profit after tax) in CY15 to Rs 190 billion in CY16. As a result, return on assets (RoA) has declined to 2.1 percent as compared to 2.5 percent in CY15.

Since June, 2016 the focus of government borrowing has shifted from schedule banks to SBP resulting in decelerated pace of banks investment in government securities10 during CY16.

According to SBP current high rise in financing activities may be attributed to the lag impact of easy monetary policy: Since November 2014 till December 2016, SBP has reduced the policy rate by 425 bps which is well translated into 373 bps reduction in Weighted Average Lending Rate (WALR) during the corresponding period. The YoY growth in gross advances, however, picked up pace in CY16 after remaining flat in CY15.
In addition better economic conditions including CPEC, improved security, improved energy supply, better business sentiments etc. have also contributed in higher financing. Banks reduced investment in Govt. papers, maturity of PIBs/Sukuk, and higher growth in deposits raised available funds for advances have also created space for financing.

http://www.brecorder.com/2017/03/04/338346/

April 2017

NEWS COVERAGE PERIOD FROM APRIL 24TH TO APRIL 30TH 2017

SENATE COMMITTEE SEEKS CLARITY ON PSMPRIVATIZATION

Dawn, April 29th, 2017

ISLAMABAD: Senate Standing Committee on Finance on Friday expressed its annoyance over government policies for not extending fiscal support to the Pakistan Steel Mills (PSM).

“It’s strange that the government is providing billions of rupees to Pakistan International Airlines and other state-owned entities, but there was no clarity if the PSM will be restructured or privatised,” Saleem Mandviwalla, the committee’s chairman, said.

The committee members said the steel mill was non-functional for more than a year and the situation should not continue.
From the government side, Secretary Privatisation Shahid Mehmood said the government was trying to dispose of the mill’s assets to clear its huge liabilities. However, he said he was not in a position to give an accurate picture of the PSM’s current status as he has recently assumed charge.

Mr Mandviwalla noted that there has been a bad experience by the Privatisation Commission over offloading of Heavy Electrical Complex (HEC).

“The HEC issue was disturbing as no one from the Privatisation Commission was able to justify the failed transaction,” he said.

Chief Statisticians Asif Bajwa also faced questioning from the committee on the significant increase in expenditure of the Pakistan Bureau of Statistics (PBS).

Mr Bajwa also briefed the committee about the ongoing census, saying that the second phase was continuing in 88 districts across the country.

He informed the committee that the government had allocated a budget of Rs18.5 billion for the process, of which Rs6 billion was for the army, Rs6bn for the PBS to given honorarium to the enumerators, and the remaining Rs6.5bn was being utilised for transportation of census staff and materials.
https://www.dawn.com/news/1329838

NEWS COVERAGE PERIOD FROM APRIL 17TH TO APRIL 23RD 2017
PRIVATE SECTOR GROWTH CLAIMS
Anjum Ibrahim

Business Recorder,April 17th, 2017
The Sharif administration has been a huge supporter of private sector activity as the primary engine of growth for economy. The rationale: private sector operates more efficiently relative to the public sector as its overarching objective is to maximize profits.
The question is whether the Sharif administration third time around has been able to incentivize the private sector to grow at a faster pace than during the tenure of the previous administration. What is extremely disturbing is that data provided with respect to industrial growth by the Dar-led Finance Ministry for years during the tenure of the PPP-led coalition government is different from what was provided at the time.

The following table shows differences in the industrial growth rate as indicated in the Economic Survey for 2012-13, when the PPP-led coalition government as well as Caretakers were in power, and the Surveys 2013-14 and 2015-16 when Dar held the finance portfolio.

The table must surely raise eyebrows by independent economists as well as multilaterals. Dar was sworn in as the country's Finance Minister at the end of the first week of June 2013 and hence had little, if any, input into the data compiled by the Pakistan Bureau of Statistics (PBS), under the administrative control of the Finance Minister, for 2012-13.

The projected growth rate for industries was 3.5 percent which was subsequently slashed to 1.4 percent – no doubt considered necessary to substantiate Dar's claim that the economy's growth rate was the highest after he completed one year as the country's finance minister.

However what is totally inexplicable and defies any logic is the fact that in 2015-16 the PBS further reduced the industrial growth for 2012-13, or two years later, to 0.7 percent. This kind of obviously manipulated data would surely give rise to subsequent governments revisiting some of the statistical claims made by Ishaq Dar (though economists maintain that if the next government simply rationalizes the data released by PBS with that of other government institutions and credible industrial sources Dar's data would be easily refuted).

Major components of industrial growth are large-scale manufacturing, small-scale manufacturing, construction, and electricity generation, distribution and gas distribution. The latter, ie, electricity generation, distribution and gas distribution makes interesting reading as noted in the Economic Survey 2015-16: in 2008-09 it witnessed a negative growth of 12.1 percent however the next year the sub-sector grew by 16.7 percent and the following year (in 2010-11) it grew by 63.9 percent (while in Survey of 2011-12 the sector grew by 2.2 percent during that year) while in 2012-13 the sector as per Dar-led PBS declined by a whopping 26.4 percent.

Surprisingly, the Survey for 2015-16 further notes that during the first year of the Sharif administration this sub-sector witnessed a negative 0.74 percent growth, followed by 11.98 percent the next year and 12.18 percent in 2015-16 (provisional estimates). In other words, the Sharif administration has been unable to beat the growth rate of 2010-11 for this sector or indeed reconcile its claims with those presented during the tenure of the PPP-led government.

With respect to Large Scale Manufacturing (LSM) growth rate the PPP led coalition government scored consistently higher than during the tenure of the incumbent government – though these rates were revised downward considerably during the Dar's four years. The growth rate in brackets is from Survey 2011-12 and data not in brackets is from the Survey 2015-16.

What is however interesting is the claim during the Dar years that LSM was much lower than calculated and small scale manufacturing (SSM) which is calculated at a provincial level and submitted to the PBS, higher than calculated during the PPP years. Further, during the current Sharif administration the claim is that LSM far outpaced small scale manufacturing – a claim that does not take account of the following observations made in the recently released State Bank of Pakistan (SBP) report:

(i) LSM excluding sugar has a weightage of only 66.8 (though sugar is shown as having a weightage of only 3.5) giving a growth of 2.6 percent during the first six months of the current year; (ii) sectors that showed a growth notably automobiles, pharmaceuticals etc which are heavily regulated have reached capacity and are unlikely to be the engine of growth in future;

and (iii) the cotton sector including textiles, the largest contributors to exports, with a weight of 21 in calculating LSM witnessed a growth of 0.04 in the first half of 2017 which accounts for the sustained decline in exports with refunds and overvalued rupee major given as the major reasons for this disturbing state of affairs.

The Finance Minister is on record several times claiming that the growth rate of the private sector has picked up due to the accommodative monetary policy that accounts for a rise in private sector credit. This claim has been challenged by

the SBP report claiming that 111 billion rupees borrowed was to retire the debt. Thus the lower rate of borrowing for the private sector led to borrowing at the new rate to retire the higher rate at the time of loan procurement.
Dar has also consistently maintained that imports have risen mainly because of machinery imports which, so is his argument, would fuel the country's productive capacity. This again can be easily challenged. The SBP website reveals that imports for machinery group increased from 3.85 billion dollars in 2012 to 4.013 billion dollars in 2013. In 2016 imports under this head rose to 6.2 billion dollars (a rise of 62 percent from 2012) which indicated:

(i) more than doubling of imports of power generating machinery from 488 million dollars in 2012 to 1.004 billion dollars in 2016, however multilaterals maintain that governance/performance of this sector remains poor, (ii) electrical machinery and apparatus imports rose from 483 million dollars in 2012 to 1.2 billion dollars in 2016 – items that include appliances which would not fuel LSM growth; (iii) an increase in imports of construction and mining machinery from 27.4 million dollars in 2012 to 84.7 million dollars in 2016, though mining activity remains more or less static while construction activity has been increasing,

(iv) a decline in imports of agriculture machinery – from 136 million dollars in 2012 to 61 million dollars in 2016 or a decline of (negative) 55 percent laying bare the government claims of a focus on farm sector. All other sub-sectors of machinery group imports including office machinery (data processors), textile machinery, electrical machinery and appliances, telecom (mobile phones and other appliances) remain comparable to previous years.

The SBP report in a footnote acknowledges that "import payments for buses, trucks and other heavy vehicles (both CKDs and CBUs) rose by a sizeable 186.7 percent (244 million dollars) to 344.1 million dollars in the first half of the current fiscal year…..and contributed to 18.6 percent overall rise in our import bill." The report further stated that "To discourage import of 400 mainly consumer items the SBP vide circular no 2 of 2017 imposed a requirement of 100 percent cash margin". Total rise in growth of petroleum and products was 12.1 percent.

To conclude, one can only hope that these issues are raised in parliament and an autonomous and independent PBS must be a 2018 election promise, with the chief statistician appointed on merit and not by the Minister of Finance. This would only enable the next man/woman holding the finance portfolio to work with credible data and therefore take informed decisions.
http://fp.brecorder.com/2017/04/20170417169315/

FRUSTRATED WORKFORCE: DISCONTENT GROWS AS MEDICS CONTINUE PROTESTS
The Express Tribune, April 18th, 2017.
Lahore: To say that health department employees are discontent nowadays is a gross understatement as not a single day has passed over the last month without them holding a protest.

Sometimes they take to the streets to demands better pay scales and on other occasions to demonstrate against the privatisation of public hospitals.

These protests are dominating matters at all major medical facilities of the provincial metropolis. These include Jinnah Hospital, Lahore General Hospital, Services Hospital, Punjab Institute of Cardiology, Mayo Hospital and Lady Willingdon Hospital etc. However, it seems government officials are not taking the matter seriously as is evident by the lack of any fruitful dialogue between medical staff and health department officials. These protests are also resulting in despair for patients who visit teaching hospitals from all over the Punjab for treatment.

Among them is Ahmed Ali, who comes from Okara to the Services Hospital for the medical checkup of his 10-year-old daughter. "The government must hear them if they want to sincerely improve health facilities," he says. "There is not a single day when we do not see protests in different streets of Lahore."

On Monday, paramedical staff of the Services Hospital protested against privatisation of the medical facility and the delaying tactics of the government to restructure services scales. The demonstration was held in front of the administration and block they later marched past the main gate to hold a sit-in which lasted three hours. Consequently, all operations at Services Hospital were badly affected.

During the protest, Services Hospital YDA President Dr Atif Majeed also paid a visit to the camp and expressed solidarity with the paramedical staff. “Their demand for a services structure is genuine and the government must consider it,” he asserts.

He adds the YDA stands united with the paramedical staff and the association will also join hands with the anti-privatisation movement, which will start in the coming days.

“Since the government has already planned to privatise all medical facilities of the health department, we, in coordination with paramedical staff and other workers, will mobilise the people,” he reveals.
Paramedical staff association president Muhammad Yousuf Billa also confirms that the protest will continue till the government halts its plans to privatise hospitals and restructures service structures of all staff from Grade-1 to Grade-14.

“However, we will not affect hospital functions as the medics are the last hope of the poor people of Punjab,” he concludes.
The protest drew to a close at the end of the day after the hospital administration called on leadership senior paramedical staff to assure that their demands will be considered immediately.
https://tribune.com.pk/story/1386550/frustrated-workforce-discontent-grows-medics-continue-protests/

PROPOSAL TO BRING PRIVATE DRIVING SCHOOLS UNDER REGULATIONS
Dawn, April 22nd, 2017

LAHORE: A proposal is being drafted to enhance traffic police’s capacity to produce trained drivers by bringing all 34 private driving schools of the provincial capital under regulations.

The private driving schools are operating in almost all major posh areas of the city including Gulberg, Defence, Iqbal Town, Model Town and Shadman, with limited infrastructure — classrooms, training areas, audio visual facilities and qualified teaching and training staff.

Since these private driving schools are not operating under regulations, the traffic police department will recommend the government to introduce legislation in this regard.

The sole purpose is to enhance capacity of training drivers in the provincial capital to meet the growing needs of time. The step is being taken after the traffic police analyzes a data which shows that there is a big gap between the vehicles plying the roads and the total number of licenses issued by the competent authority.

“We have gathered a data of total 34 private driving schools operating in various parts of the city,” Chief Traffic Officer (CTO) Rai Ijaz told Dawn.
He said according to an under-consideration proposal these schools shall be managed under a public-private partnership by the traffic police department.

“But for this purpose these schools will be brought under regulations through legislation”, he said adding that after the due process the traffic police department will certify them as the training schools in the city.

Mr Ijaz said that according to the initial information gleaned from the market most of these private schools were operating without proper training areas, classrooms, curriculum and audio/visual facilities to impart proper training to citizens.

Most of them were using busiest roads of the city to train the drivers amid greater chances of road-side accidents and traffic problems.

If the scheme was materialized in true sense, the CTO said, these schools would have principals/heads, specified credit hours to teach/train, qualified staff, sufficient space for final test and the certificate for the drivers that would matter in public and private sectors.

As the passed out drivers would be certified by the traffic police, the training certificate would help them for both purpose — driving on the roads and jobs –, Mr Ijaz said.

“Our traffic police department is also facing shortage of testing centres/driving schools and the merger of private centres with the traffic schools under public-private partnership scheme would help overcome this critical deficiency,” he said.

He said his department had also sent a request to the Technical Education and Vocational Training Authority (Tevta) to help it by starting training programme.

Currently, he said, the traffic police had only three testing centres at Manawan, Arfa Tower and Defence Housing Authority where the grounds and parking lots were hired for this purpose.

These three points are insufficient to meeting the growing demands of the citizens, he said. With a view to enhance this capacity, the Tevta has agreed to allocate six more institutions initially for the traffic police for the same purpose.

“We have total 13 licensing centres in the city and we are also planning to enhance this number to meeting the growing needs of present time”, the CTO said.

https://www.dawn.com/news/1328481

NEWS COVERAGE PERIOD FROM APRIL 10TH TO APRIL 16TH2017
PRIVATISING THE RAILWAYS
The Express Tribune, April 10th, 2017.

After years of indecision, our indefatigable minister for railways, Khawaja Saad Rafiq, has said that Pakistan Railways is not for sale. Rafiq claims that the state-owned corporation is successfully elevating its revenue streams and need not be sold off. If we listen to the honourable minister, it seems that the fortunes of Pakistan’s largest employer have turned for the better in the past three years.

Granted that the railways has turned for the better. But to expect that this corporation would be making profits is a bit far fetched. The biggest drain on its financial health is the pensions and payments made to its ex-employees. Attempts in the past to bifurcate the corporation’s revenue streams have failed. A number of innovative approaches were used to make the railways profitable for sale but these attempts all ended in disappointment. The lobbies are too strong.

If anything, much of the lucrative assets of the railways have already been sold. Billions of rupees worth of real estate have already changed hands in deals that leave a lot to the imagination. So there is little room for the railways to look for financial recovery or rejuvenation. But the decision not to sell the railways is a political one and not an economic one. It goes against the stated policy of the government to sell loss-incurring entities so that the financial burden on the government, and by default on the taxpayer, is lessened.

As things stand, billions go into subsidising the workings of the Pakistan Railways. Despite the best efforts of the railways minister, and one has to grant him that Saad Rafiq has tried his level best at turning around this entity, Pakistan Railways is still a white elephant. Thousands of people are employed but this is much higher than what its requirements are.

Much of the profit-making arms and those departments that helped it financially are in a shambles. Possibly the worst period that the railways saw was in the tenure of General Musharraf where a number of decisions were taken to favour one or the other.The competence of the railways minister at that time has also been a subject of much debate. But that isn't anything new.

Apart from the ballooning non-operational costs, the other challenge for Pakistan Railways is pilferage and corruption. Ticketless travel is a norm and millions are siphoned away under one head or another. Economically viable projects which involve the private sector are made to fail. In this, the unions supported by the government have an important role in the rising losses. Any attempt to make honest money are thwarted.

Despite his best intentions, Saad Rafiq cannot take a decision that technically should be one for the federal cabinet. He cannot commit not to sell a loss-incurring mammoth enterprise, that is costing billions to the government and to the taxpayer only because it helps his politics. We cannot be bankrolling his political ambitions or career.

Then there are fundamental contradictions. The railways also cannot be operator and regulator of the industry at the same time. This is why the private sector, despite its best intentions, has been unable to make any headway.

The railways minister says that revenues are expected to rise from Rs18 billion to Rs40 billion by the end of this fiscal year. But what about the losses? Is anything being done about that? Also, why are we stalling on the sale?

If the same logic is applied to other entities then the government has no grounds to sell PIA or public sector utilities. This confused policy also gives mixed signals to investors. As a result of this muddled approach, Pakistan Railways is bereft of capable management with the result that it has been losing passenger traffic to the road sector consistently over the past two decades despite its monopoly.
While it is impressive that the number of locomotives for the freight sector has increased to 90 from 8 in 2013 and that the number will rise to 150 locomotives in the next three months, the question is what has been done about passenger traffic which has dwindled. If this is a national institution, what actual benefit is the general public getting? The way things stand, many now prefer coaches to railways. It is a long journey for Mr Saad Rafiq and one in which he has many lessons to learn.

https://tribune.com.pk/story/1379381/privatising-the-railways/

May 2017

NEWS COVERAGE PERIOD FROM MAY 1ST TO MAY 7TH 2017

DOWNSIZING ON THE PRETEXT OF PRIVATIZATION WON'T BE ALLOWED: ZARDARI

Business Recorder, May 1 2017

ISLAMABAD: The observance of the international Labor Day is an occasion to pay homage to the workers and wage earners as well as to renew our pledge to defend the dignity and ensure decent living to the workers of the country.

In a message on the eve of International Labour Day on Monday (May 1) the former President of the Pakistan Asif Ali Zardari also vowed that PPP will not permit sacking of workers in the name of privatization. "The Party will strive hard and harder for protecting the rights and privileges of the working classes and to expand them even further".

The Party will always stand by the working classes as they continue their struggle for dignity and rights, he said.
Asif Zardari said that the Party is keeping an eye on the privatization process and will not permit the regime to sack workers in the name of privatization. The Party saves workers' jobs and will not allow retrenchments.
The former president said that both the founding Chairperson and his daughter Shaheed Benazir Bhutto promised workers right to job security, decent wages and right to dignity and a rightful place in society. They also struggled alongside the labor for the attainment of these rights. We will ensure that the promises made by our Shaheed leaders are fulfilled in letter and in spirit, he said.

The struggle for improving the working conditions of workers and protection from exploitation is a continuous one and the Party will continue its struggle to secure the rightful place of workers in the society, he said.—INP

http://epaper.brecorder.com/2017/05/01/2-page/871573-news.html

August 2017

NEWS COVERAGE PERIOD FROM AUGUST 14TH TO AUGUST 20 Th 2017
DECENTRALISING THE POWER SECTOR

Dawn, August 21, 2017
Farrukh Mahmood Mian
As soon as he took over, the new prime minister has made major changes in various ministries and divisions.
A key change is the setting up of a new Energy Ministry which will have two divisions — Power and Petroleum.

It is expected that this will help harmonise all energy-related affairs and result in improved efficiencies in the supply, distribution and usage of power and petroleum products.

The move may, however, lead to another type of disconnect as the work on major hydropower projects, such as Dasu and DiamerBhasha, are expected to begin in the near future and it's hoped that these organisational changes will not impact their timely implementation.

The newly segregated ministries of energy and water need to develop a coordination mechanism to ensure that there is complete alignment among them, especially on the Dasu and DiamerBhasha HPPs.

The developing water scarcity, which has major implications for Pakistan is another reason for the close coordination between the ministries.

It seems that in spite of the government's sincere efforts in the form of huge financial outlays for new power generating stations, the electricity problem continues to persist.

If a large segment of society is not paying for the service they are receiving, will the up-coming electric power stations being built be financially viable? The fact that combined loss due to theft and technical factors is over 25pc, will the country remain afflicted by a power crisis in the foreseeable future?

The 2013 Energy Policy stated that the generation deficit would be reduced to zero by 2017 but the protests in the streets recently have belied this claim.

Other targets still remain an illusory goal.
The high commercial losses (theft) in the system and a very low heat-rate efficiency of public sector thermal power plants (which was 36pc in 2014, as reported by Nepra) continue to drive up circular debt which has reportedly touched around Rs400 billion, today.
When the circular debt amounting to around Rs480bn was cleared by the GOP in 2013, it instantly added back 1300MW power to the system confirming that there is a pent-up supply in the system which can be released through fiscal measures.

The government has allocated billions of dollars for new generation and transmission infrastructure but the shortages that are hitting the common man are not likely to go away.

Without modernisation and institutional and financial reform in the sector, the mega-infrastructure that is being built will not be used to full capacity.

Experience has shown that present IPPs (Independent Power Producers) are not able to operate to capacity due to lack of timely payments and one can expect the circular debt to increase at an even faster rate as new generating plants are commissioned.

The government is keen to modernise the sector and is bringing in new practices in distribution (viz. smart metres), generation (more emphasis on renewable energy) and transmission (new high-voltage DC lines). However, no major thrust to introduce institutional reform is visible.

The last major step in this regard was the privatisation of KESC (now K-Electric) but other than that things appear to be on a stand-still.

The country’s population has gone up from 150 million to 200m in the last decade but the number of distribution companies (DISCOs) has remained nearly static at 9 thus vastly increasing their area and quantum of responsibility.

The talk of privatisation of DISCOs, starting with Faisalabad (Fesco), goes back to late eighties but nearly three decades later there is virtually no progress in this direction.

Even their commercialisation, which is the necessary first step towards privatisation, has been undermined due to a lack of professional criteria that has been followed in appointing the directors.
The long-term solution lies in greater transparency which is possible by handing-over the control of DISCOs to the provinces.
If this is done, the government will be able to enhance the accountability of the sector, empower the provinces and increase the transparency.

Based on technological considerations alone, there is a strong rationale for delegation of power sector management to the provinces. The affordability and localised nature of renewable technologies like solar and wind makes them highly attractive for installation at the provincial level, as seen from the example of Quaid-e-Azam solar park in Punjab.

The rules of the decentralisation process, to be agreed by the federation and provinces, should be guided by the fundamental goal of providing access to electricity at affordable rates with a strong element of sustainability built in the arrangement.

For this, the efficiency of DISCOs will need to be improved by reducing the incidence of power theft and collusion.

While this is going on, the existing generation assets including IPPs will remain in the federal government's jurisdiction and not handed over to the provinces.

Once they have streamlined and improved efficiency, the provinces could then venture into power generation using domestic energy sources viz. hydropower sites, solar panels and wind turbines.

Setting up of new generation facilities below a certain level, say 200MW, can be made the provinces' responsibility while larger projects can continue to remain under the federal entities.

We have within Pakistan a fairly successful example in the form of K-Electric which can act as spring-board for other provinces to learn and build on, notwithstanding some of the negative outcomes of its privatisation which have been a matter of debate of late.
There is a huge scope for provinces to embark on programmes that result in small-scale localised solutions viz. roof-top solar accompanied with net-metering tariff which would be relatively easier to finance and manage.
But small-scale solutions are not enough given the continuously growing demand for electricity for which large power plants are needed.

The provinces' limited ability to borrow funds from international sources is the biggest constraint in setting up new power plants either in the private or public sector; and without foreign funds it's not possible to build new power infrastructure.

Equally importantly, the necessary institutional arrangements are needed and the capacity to design and implement large-size projects.

To develop the capability, expertise can be borrowed from PPIB and AEDB and for comforting the international financiers to provide loans; a sovereign guarantee can be given the GOP which should appear as liability to the federation on the balance sheets of provinces.

The journey of the power sector's decentralisation is a long one.

Such a roadmap should begin from the legal transfer of DISCOs to the provinces, followed by a phase in which they build new power generation plants.

In the final stage, the provinces can take over the transmission infrastructure thus gaining full autonomy in the affairs of the power sector.

https://www.dawn.com/news/1352848

October 2017

NEWS COVERAGE PERIOD FROM OCTOBER 16 TH TO OCTOBER 22ND2017

WORLD BANK RATES PAKISTAN AMONG TOP PRIVATE INVESTMENT COUNTRIES

Dawn, October 21st, 2017

Amin Ahmed

ISLAMABAD: Pakistan has been grouped in top five highest private participation investment (PPI) countries owing to a few multi-billion-dollar power projects, with two hydropower plants worth $3.6 billion during the first half of 2017.

A half year update on private participation in infrastructure (PPI) published by the World Bank on Friday says that Indonesia was the destination for the highest amount of PPI investment, while Pakistan and Jordan were new entrants to the top five countries, joining Indonesia, Brazil and China. Indonesia, Pakistan and Jordan are amongst the top five highest PPI investment countries.

South Asia's 17 per cent share of first half of 2017 global PPI investment may mark the reversal of a regional trend of declining shares of global investment, which reached a low of 4pc in 2015.

In the first half of 2017, investment in South Asia has already reached the full-year 2016 level, driven by the financial closure of two power megaprojects in Pakistan – the Suki Kinari hydropower plant worth $1.9bn and the Karot hydropower plant worth $1.7bn.

The report says that the energy sector received the largest amount of global investments, accounting for almost three-quarters of global investment during Jan-Jun 2017, while transport accounted for 24pc. Water and sewage accounted for only 3pc.

83pc of the electricity generation projects were in renewables (68 out of 82 projects). By investment value, however, renewable energy projects captured only 50pc of total electricity generation investment (compared to 60pc in 2016, and 65pc in 2015), with $11.9bn.

The report says that PPI investments during first half of 2017 totaled $36.7bn across 132 projects showing an increase of 24pc over investments in the first half of 2016, but still significantly lower than historical levels for first half year.

The total investment recorded for first half of 2017 is 15pc lower than the past five years' first half average investment level of $43.2bn.

In first half of 2017, green-field projects accounted for more than two-thirds of the total investment commitment, or $24.9bn, while brown-field projects accounted for the remaining 32pc, with $11.8bn.

There was only one management contract of $7m for a water project in China; no divestiture transactions were recorded.

The number of divestitures has been declining over time with only three recorded in full-year 2015, but in full-year 2016 there was a slight revival recorded with seven divestitures.

Among green-field projects in first half of 2017, projects adopting a build, operate, and transfer (BOT) model account for $14.2bn of investments, followed by build, own and operate (BOO) model projects, with investments of $8.9bn.

https://www.dawn.com/news/1365128

November 2017

NEWS COVERAGE PERIOD FROM NOVEMBER 27 Th TO DECEMBER 3rd2017

PC TO REBOOT SELL-OFF BUSINESS

Business Recorder, 30 November 2017

ISLAMABAD: The Privatization Commission (PC) will proceed for privatization of power sector distribution companies as well as insurance and banking sector transactions in a week contingent upon the approval of the Cabinet Committee of Privatization (CCoP) presided over by Prime Minister Shahid Khaqan Abbasi.

This was stated by Minister for Privatization Daniyal Aziz while talking to media persons after the meeting of National Assembly's Standing Committee on Privatization presided over Syed Imran Ahmed Shah here on Wednesday.

The minister said that Prime Minister Abbasi has been requested to convene a meeting of the Cabinet Committee of Privatization (CCoP) to approve transactions structure of the entities on priority list. The CCoP meeting is likely in a week's time, said Aziz.

Earlier, briefing the meeting of the committee, the minister said a meeting of the PC Board on November 2, 2017 qualified potential bidders for acquisition of 93.88 percent shares of SME Bank and agreed to proceed for privatization of First Women Bank (FWB), House Building Finance Corporation (HBFC), and National Insurance Company Limited as per the PC Ordinance and according to a well thought-out plan. The Privatization Commission, the meeting was informed, is in process of initiating appointment of financial advisory consortium to undertake the Mari Petroleum Company Limited (MPCL) transaction. Pakistan Steel Mill Corporation (PSMC) transaction structure has been approved by the PC Board while the liability settlement plan in consultation with NBP, Sui Southern Gas Company (SSGC), and Ministry of Industries & Production is being finalized.

The PC Board in its meeting on 02.11.2017 also approved and recommended to the CCoP the initiation of process of strategic sales along with management control of power sector entities and in the first phase, Northern Power Generation Company Limited (NPGCL), FESCO, IESCO and GEPCO have been recommended for privatization.

The meeting was also informed that annual losses of ailing public sector enterprises have swelled to an unprecedented level, increasing the importance of restructuring and private sector participation to ease pressure on the fiscal deficit.

The PC official stated that the government extended bailout packages of Rs76 billion to Pakistan Steel Mills, including employees' salaries till August 31, 2017. However, total debt and accumulated losses of PSM increased to Rs99.4 billion and Rs176.6 billion as of June 30, 2017, respectively.

The government also provided guarantees amounting to Rs161.5 billion on behalf of PIA, as of June 30, 2017, whereas total borrowing and accumulated losses of PIA swelled to Rs186.5 billion and Rs316 billion as of December 31, 2016, respectively.

Daniyal Aziz acknowledged that the government has been using the privatization proceeds for deficit financing and stated he would ascertain and inform the committee about the exact quantum of amount used for deficit financing.

http://epaper.brecorder.com/2017/11/30/1-page/685026-news.html

NEWS COVERAGE PERIOD FROM NOVEMBER 20Th TO NOVEMBER 26Th 2017
TWO-DAY SEMINAR ON PUBLIC-PRIVATE PARTNERSHIP TO BEGIN ON 28TH
Business Recorder, 22 November 2017

ISLAMABAD: Defence Export Promotion Organization (DEPO) is organising a two-day Public Private Partnership (PPP) seminar in collaboration with Sustainable Development Policy Institute (SDPI) in Islamabad from November 28 and 29, 2017.

The seminar would be inaugurated by Prime Minister Shahid Khaqan Abbasi and addressed by renowned speakers of international repute.

Entrepreneurs, financial experts, engineers, policy makers and academia are expected to participate in the seminar. Minister for Defence Production, Rana Tanvir Hussain, Major General Mahmood Hayat, Director General DEPO and Executive Director, SDPI, and Dr Abid Sulehri will address the inaugural session.
Minister for Defence, Khurram Dastgir Khan, Minister for Education and Professional Training Baligh-ur-Rehman and Deputy Chairman Planning Commission, Sartaj Aziz will chair the sessions.

Dr Maleeha Lodhi, Pakistan's Permanent Representative to United Nations will be keynote speaker whereas Senator Mushahid Hussain Syed, Chairman Senate's Committee on Defence, Prof Dr Fazal Ahmed Khalid, VC UET Lahore, Lt General Senator Abdul Qayyum (retd), Chairman Senate Standing Committee on Defence Production, Lt Gen Syed Muhammad Owais (retd), former Secretary Defence Production, Engr Jawed Salim Qureshi, Chairman PEC, Zubair F Tufail, President FPCCI, Dr Sakib Sherani, CEO Marco Economic Insights and Ahmer Bilal Soofi, international law experts, Chairman FBR, Tariq Pasha and Professor Dr Khalid Ghaus, Chairperson SDDC will also address the seminar. Besides, local dignitaries, foreign experts would share their views on the export prospects of defence related products.

On Tuesday, Brig Waheed Mumtaz briefed the media that the key objective of the seminar was to organize a joint gathering of government, private sector experts and foreign dignitaries to assess the future for export of defence related products.

He said such seminars provide a common platform to entrepreneurs, R&D specialists, financial experts, and policymakers to evaluate the entire domain of defence industry and its contribution towards overall economic development of Pakistan.

"Presently, Pakistan has no policy to export defence products. The seminar will provide a platform to formulate a much required strategy," he said.

In reply to a question, he said that international arms trade was around $1.8 trillion whereas Pakistan's defence production is a very small industry with exports of about $270 million during 2016-17. The key product exported last year was Super Mishak. Pakistan should identify those markets which are competitive for us, and presently, private sector has increased its share in defence production, he added.

"Our products might not be competitive in the USA or European markets which is why we have to look into African or Asian region where Pakistani products are competitive," he continued.

He gave the example of Al-Khalid Tank which is a success story.
He said there were assumptions that Saudi Arabia would procure Al-Khalid Tank, which did not happen. He argued that when hardcore business is being considered words like Muslim Ummah do not work.

"When other countries sell arms to those countries we have to think why we cannot. Other countries top brass visit the buyers. We have to think whether we have such support from our government," he added.

Earlier, Commodore Tahir shared the detailed programme of the seminar with the media. —

https://epaper.brecorder.com/2017/11/22/12-page/683590-news.html

LAW CHANGES TO OPEN DOORS FOR PRIVATE COMPANIES
The Express Tribune, November 24th, 2017.

ISLAMABAD: A new law after amendments to the National Electric Power Regulatory Authority (Nepra) Act would open doors for potential private electricity supplying companies and spark healthy competition for better service delivery to consumers, says Federal Minister for Power Division Sardar Awais Ahmad Khan Leghari.

In a meeting with Water and Power Development Authority (Wapda) Hydroelectric Worker Union on Thursday, the minister said existing state-owned electricity supplying companies must improve service delivery and in case of failure they would face stiff competition from private sector companies.

In order to provide better services, he emphasised, the public sector power distribution companies would have to work hard to bring down losses, introduce innovative technological solutions, train manpower that could face challenges and focus on consumer interests.

Talking about high-loss feeders, the minister pointed out that the government was considering providing incentives for the staff and officers to encourage them to push down the losses to given targets. In this regard, Pakistan Electric Power Company (Pepco) and the Power Division have already been tasked to come up and give final shape to the proposals.
Leghari told meeting participants that he had given directives for allocating adequate funds for the purchase of necessary equipment in an effort to ensure the safety of workers at different levels. “It is our priority to provide a secure environment for the electricity workers,” he remarked.

He assured representatives of the worker union that orders had been issued to lift the ban on necessary recruitment in the distribution companies.

A policy is also under consideration to assess the existing condition of public sector power generation facilities in order to determine whether these would have the capacity to withstand new parameters in the future.

Hydroelectric Worker Union General Secretary Khursheed Ahmed emphasised that the employees were willing to further improve their work given they were provided with better equipment.

He welcomed the directive to remove the ban on the hiring of heirs of deceased Wapda employees.

https://tribune.com.pk/story/1566811/2-law-changes-open-doors-private-companies/

NEWS COVERAGE PERIOD FROM NOVEMBER 6 Th TO NOVEMBER 12 Th 2017

SINDH OKAYS MAJOR PROJECTS UNDER PUBLIC-PRIVATE PARTNERSHIPS
Habib Khan Ghori

Dawn, November 8th, 2017

KARACHI: “Public-private partnership has assumed an important role in the development of Sindh and we are going to expand its scope for better services to our people,” said Chief Minsiter Murad Ali Shah on Tuesday
He was presiding over the Public Private Partnership Policy Board meeting where projects to be launched under the public-private partnership (PPP) mode were discussed, including the motor vehicle inspection, selection of bank for Yellow and Blue line BRT transport projects, modern vegetable, meat, fish markets, solar dates dehydration and tourism.

The board approved the proposal of creating a `PPP project support facility’ to independently manage the viability gap fund for achieving better value and improving risk management. The proposal included Rs550 million for the fund as per agreement with the Asian Development Bank (ADB) which was also approved.

The Motor Vehicle Inspection Project (MVI) was approved in January 2015 for MVI and Certification system. The Transport and Mass Transit Department received only two bids for the project. The board approved post facto approval for awarding the project's work to a private firm.

Selection of bank for Yellow Line Project was also approved. Under the project, there would be 69pc debt, 16pc concessionaire equity and 15pc Sindh government's share. The finance department's request to accord approval for engaging the selected bank and proceeding for financial close was approved during the meeting.

The board also considered the unsolicited proposal from Bahria Town for launching BRT Blue Line project, which was approved to be taken up under the PPP mode of procurement of investors' solicitation.

The chief minister directed EcoBus, the private firm offering to operate 500 electric air-conditioned buses for plying on all possible public transport routes within the city, to send the proposal to the technical committee and seek their recommendations.

The CM directed the agriculture department to work out the proposal and submit in the next board meeting regarding the establishment of a modern vegetable, fruit, fish and meat market in Khairpur.

The solar dates dehydration project was also discussed and the board approved the proposal for hiring a consultant for that. The board also directed to connect the proposed Dry Land Farming Research Institute Mithi with a university.

Regarding the Lab-e-Mehran Tourism Development Project Sukkur, the meeting was proposed that appropriate development of river front can be turned into a major asset for the city.

The board approved the proposal and directed the culture and tourism department to hire a consultant for the purpose.

The Education Management Organisation project also received the board's approval on the proposal to hand over the management of 14 schools to private partners.

The meeting was attended by provincial ministers, Dr Sikandar Mendhro, Jam Mehtab Dahar, Sohail Anwar Siyal, Syed Sardar Shah, Syed Awais Shah, Ghulam Qadir Chandio, Chief Secretary Rizwan Memon, Chairman P&D Mohammad Waseem, Principal Secretary Sohail Rajput and other members of the board.

https://www.dawn.com/news/1369060

December 2017

NEWS COVERAGE PERIOD FROM DECEMBER 25th TO DECEMBER 31st 2017

PARLIAMENTARY PANEL DIRECTS TO REFER 14 PRIVATISATION CASES TO NAB

Shahbaz Rana

The Express Tribune, December 28, 2017

A parliamentary panel directed the privatisation ministry to send 14 cases to the National Accountability Bureau (NAB) for recovery of Rs82.3 billion worth of outstanding dues from various parties including the Dubai-based Etisalat group.

The National Assembly Standing Committee on Privatisation made the recommendation after Privatisation Secretary Irfan Ali briefed that Rs82.32 billion remained outstanding, some of the amount for more than 25 years, in 14 transactions.

Out of 14 cases, Rs81.3 billion is outstanding against Dubai-based Etisalat group that bought 26% stake in Pakistan Telecommunication Company Limited (PTCL) in 2005. Etisalat had bought shares with management control at a price of $2.6 billion. After coming to know the second lowest bid was actually $1.4 billion, the UAE-based firm tried to backtrack from the offer.

“The privatisation ministry should send all the 14 cases to NAB to recover the outstanding amount,” directed Standing Committee Chairman Syed Imran Ali Shah. The committee also asked the privatisation ministry to fix responsibility in the case of misusing Pakistan Steel Mills employees’ gratuity and pension funds.

Powerful groups like Schon Group and Etisalat are among those that bought the entities but did not fully clear their dues.

The privatisation secretary said that all the 14 cases were at various stages of litigation and recoveries. He said that a Etisalat team was in town for negotiations over the recovery of $800 million in outstanding dues.

He said that except in case of Etisalat, the government will recover principal and mark-up from the 13 other parties. “The Sale Purchase Agreement with Etisalat does not allow recovery of markup from the buyer,” said Ali.

He hoped that some headway will be made in talks with the Etisalat team. The secretary said that out of roughly 3,500 properties, Pakistan cannot transfer 33 and this has been conveyed to the buyer. He said that the government long ago shared the valuation of these 33 properties but Etisalat has not shared its valuation with Pakistan.

Ali said that one of the reasons for not getting the $800 million from Etisalat was that the buyer made an exceptionally high bid. The secretary said the employees of PTCL have also filed two petitions against the privatisation and Etisalat is also making this as an excuse.

The secretary said that he was particularly focusing on three entities that were bought by the Schon Group but it’s not paying outstanding dues. The Schon Group bought National Fibers Limited, Pak-China Fertilizers Limited and Quaidabad Woolen Mills for Rs1.3 billion. The privatisation ministry documents showed that the group still owes Rs319.3 million to the government of Pakistan.

The privatisation secretary said that the government has won the cases at the arbitration stage and even offered a settlement to Schon Group. After initially agreeing to the settlement plan approved by the Privatisation Commission Board, Schon Group has not submitted the bank guarantees of the due amounts, said the secretary.

“We have now decided that either recovery cases will be pursued aggressively or cases will be sent to NAB against Schon Group,” said Ali.

The other entities where dues are outstanding are Pak PVC Limited, Sindh Alkalis Limited, National Motors Limited, Balochistan Wheels Limited, Dandot Works of National Cement Limited, Haripur Vegetable Oil Processing Industries, Crescent Factories Vegetable Ghee Mills, Siranwali Rice Mills, Dhaunkal Rice Mills and Mubarakpur Rice Mills Limited.

The secretary said that the government has a plan to privatise PIA after the PC Board approved a resolution, asking the government to amend the law to allow sale of majority stakes along with management control to private parties.

The privatisation ministry will soon send a summary to the federal cabinet for approval to initiate the process to amend the PIA law, said the privatisation secretary.

Parliament had blocked PIA's privatisation bid two years ago and instead amended the law to end the option of selling 51% stake to the private bidders.

There was political will to privatise the PIA but parliament did not support the government, said PML-N MNA Maiza Hameed.

The secretary said that the government was also trying to settle the outstanding liabilities of Rs188 billion of the Pakistan Steel Mills by utilising 7,500 acres of land, meant for residential and commercial purposes.

He said that since 2008-09, successive governments have given Rs59 billion in bailout packages in addition to Rs15 billion for paying salaries of the employees. The secretary said that the government will try to pay at least Rs15 billion dues of the retired employees before the end of the current fiscal year..

https://tribune.com.pk/story/1594611/2-parliamentary-panel-directs-refer-14-privatisation-cases-nab/

NEWS COVERAGE PERIOD FROM DECEMBER 11th TO DECEMBER 17th 2017
SHC RESERVES VERDICT IN K-E PRIVATISATION CASE
The Express Tribune, December 14, 2017

Naeem Sahoutara

KARACHI: The Sindh High Court (SHC) reserved on Wednesday its verdict on a petition challenging privatisation of K-Electric (K-E), formerly known as the Karachi Electric Supply Company, to the Shanghai Electric Company, a Chinese power supply company.

A two-judge bench, comprising justices Aqeel Ahmed Abbasi and Arshad Hussain Khan, reserved its order after hearing arguments from both the parties. The order will be announced at a date to be later notified by the office.

The KESC Labour Union and others had approached the court in 2005 against the government's decision to privatise the power utility to the Dubai-based The Abraaj Group.

At the outset of the proceedings, the judges expressed their displeasure over continuous privatisation of the power utility, observing that first it was sold to The Abraaj Group and now to a Chinese firm.

The bench members remarked that they wanted to set a precedent in the case so that the government might think twice before privatising public institutions in future.

A lawyer representing The Abraaj Group informed the court that all the important aspects were thoroughly considered and looked into at the time of selling the KESC to The Abraaj Group.

The respondent, The Abraaj Group, which is the power utility's current management, had also been looking into all those aspects for the last three years before selling it to the Shanghai Electric Company, the lawyer added.

The lawyer maintained that the Shanghai Electric Company was one of the world's best power supply companies. The group pleaded to the court not to issue such an order that might cause the country embarrassment at an international forum. It was argued that the country had already lost important cases such as the Rekodic gold mining case at international level.

Justice Abbasi remarked that the country often loses its cases at the international level, but that shows either incompetency or dishonesty.

The judge observed that the government had to give a subsidy even at the time of the privatisation of public institutions.

The bench members remarked that K-E had failed to enhance its capacity to generate electricity despite the provision of the subsidy. They questioned how it was possible that the government pays subsidy for public institutions, but the public still get no services.

They noted that K-E had even failed to provide any relief to the public, despite the increase in the subsidy provided by the government. Barrister Salahuddin Ahmed, who represented the petitioner labour union, argued that the process of privatisation of K-E lacked transparency. He pointed out that the respondent had violated the laws laid down for biding during privatisation.

He argued that those companies that had participated in the bidding were allowed to collaborate with irrelevant companies even after the procedures for inviting tenders were finalised.

Ahmed said the K-E management wanted to sell shares of the power utility to Shanghai Electric Company, which may not be allowed. Therefore, he pleaded to the court to declare that the privatisation of K-E to the Chinese firm as illegal and unlawful.

After hearing arguments from the parties, the SHC bench reserved its verdict to be announced on a date to be later notified by the office.

https://tribune.com.pk/story/1583250/1-shc-reserves-verdict-k-e-privatisation-case/

NEWS COVERAGE PERIOD FROM DECEMBER 4th TO DECEMBER 10th2017
BILLION-DOLLAR COAL PROJECTS IN THARPARKAR: PRIVATE SECTOR INVESTMENT TO CHANGE FATE OF THARIS
Business Recorder, 7 December 2017

MUHAMMAD SHAFA

KARACHI: Private sector investment, particularly the development of billion-dollar coal projects in Tharparkar will certainly change the fate of its residents.

Tharparkar – the most backward district of the country remained in limelight due to starvation, water scarcity, newborn deaths due to malnourishment, inexistence of health and education, etc, for the last many years. However, the plight would no longer prevail, thanks to Thar Foundation for interventions in the fields of education, healthcare, livelihood, infrastructure, social preservation and disaster management.

Mohsin Babbar, media and communication incharge, Sindh Engro Coal Mining Company (SECMC) while briefing media persons during their visit to Thar Coal Field on Sunday said Thar Foundation has been established by the SECMC and Engro Powergen Thar Limited (EPTL) together with the Sindh Government for the betterment of the principal stakeholders of Thar Coal – the people of Tharparkar. “The foundation, with the help of other organizations, has so far spent Rs 4 billion on healthcare, education, livelihood, skills development and social & cultural preservation of the dwellers of Thar. Various NGOs are keen to contribute their part for the development of the district.

Highlighting plans, Babbar said a 250 bed Thar Foundation Hospital would be constructed in Islamkot in collaboration with Indus Hospital, Shahid Afridi Foundation and Government of Sindh by the end of 2018. The project would cost $15 million. Architectural designs of the hospital have already been finalized. The health facility would provide free of cost Medicare to locals.

As many as 28 local Thari women have been trained for driving trucks in the first batch of ongoing ‘women dump truck programme’. We have received nearly 100 applications for the coming batches, he said.

In collaboration with the Global Health Directorate and Indus Hospital, TB and immunization camps have been started in Block II. Health camps including eye, skin, dental and emergency relief camps to be conducted in 2018. A system of Mobile clinics will be established in Islamkot Taluka. Mandatory Birth Immunization Programme to be launched in Block II – to be expanded gradually to Islamkot Taluka in a couple of years.

It may be relevant to mention here that SECMC and Engro Powergen Thar limited (EPTL) along with other partners are working on lignite excavation and construction of 660 MW indigenous coal based power plant in Thar Coal field Block-11. Thar Coal project is among the largest public private partnerships in Pakistan’s history. With a combined investment to around $3 billion, it is largest private investment under CPEC with majority of equity being contributed by local investors.

He said SECMC has signed an MoU with TCF to establish 1000 students’ capacity schools in each taluka of Tharparkar. A total of 8 schools will be constructed. The 1st TCF School-Engro campus would be operational before the end of 2017 at Islamkot with a capacity to educate 1,000 students. 2nd TCF School is being established in Jiwan Das. It would become operational in 2018. 3rd TCF School–Mithi will start operations in August 2018. The school has been sponsored by Thal Nova Thar Power Company Limited.

Thar Foundation expects to start construction of the remaining 5 schools before commercial operation of the project with each school costing $1.5 million.

Similarly, Thar Foundation has constructed 3 primary schools in Bitra, Mansingh Bhee, and Thariyo Halepoto villages which would cater to 580 students.

215 Thari locals were trained as dumper drivers in 3 months. These locals form an integral part of the mining workforce accounting for 73 percent of the drivers at the mine.

Similarly, some 745 locals were provided various skills trainings such as scaffolding, masonry, steel fixing, pipefitting, etc. Today over 74 percent of these locals are working either at the mining and power projects or with various vendors.

75 percent out of the total 2000 local employees in SECMC belong to Tharparkar, he said.

The ‘one year programme’ has been designed in collaboration with Saylani Welfare Trust to train 50 Thari students at Saylani Institute in Karachi. The course will cover Web development, Java script and mobile app development along with soft skills trainings. The students will also be provided mentorship by Engro’s IS department.

Senhri Dars and Thariyo Halepoto villages will have to relocate for mining purposes for which SECMC has developed a Resettlement Action Plan (RAP) in consultation with the GoS and local population of Block-II.

Compensation of land (5 times market value) has been made to land owners. Landless peasants will also be compensated out of the fund created by company in association with GoS. This is being done at mine as well as reservoir site.

SECMC has planted around 30,000 trees with a vision to plant 10 trees for every tree cut. We are maintaining complete record of tree cutting as a responsible company and submitting it to SEPA and wildlife departments on regular basis. So far we have also installed and operating at our own expense 4 RO plants in the nearby area of reservoir to provide drinking water to local community.

Thar Foundation is working with the Government of Sindh to take over all government schools (700) in the Islamkot Taluka over the next 5 years which will be the largest public-private partnership in the social sector.

He said Thar Foundation's short term aim is to ensure that at least 10,000 children from Thar are being educated in its schools prior to CoD of the mining and power project.

Introduction of modern teaching methods and technologies at these schools were meant to ensure that Thari students are at par with counterparts from other parts of the country when they choose to pursue higher education.

https://epaper.brecorder.com/2017/12/07/5-page/686199-news.html