February 2019

NEWS COVERAGE PERIOD FROM JAN 28th TO FEB 3rd 2019

PRIVATISATION OF STATE UNITS TO TAKE EIGHT YEARS

By Our Correspondent Published: January 29, 2019

LAHORE: Finance Minister Asad Umar has termed the country’s political as well as bureaucratic circles inexperienced in terms of examining and implementing the privatisation policy.

Addressing the business community during his visit to different chambers of commerce in Lahore on Monday, he said the government was looking to introduce an open market mechanism in the energy sector to minimise the burden.

“It will take around eight years to privatise the entire list of institutions as for the past 25 years no proper work has been done in this regard and our entire machinery is not trained enough to execute such transactions.”

The finance minister pledged to club taxes to facilitate businessmen, who were paying a large number of taxes, adding the business community would be given the facility in the next federal budget.

He stressed the need for building trust between the government and business community as in the 21st century the private sector would lead the economy while the government would act as a facilitator.

Responding to a question, Umar said interest rate was a matter handled by the central bank and savings were necessary for sustainable economic development.

“Last year, savings were only 10.4%, which were very low. Its rate should be 25% to 28% in order to achieve the annual growth target of 7%.”

The minister said development of the information technology sector was important and for that a task force had been formed. He announced that a package would soon be unveiled for the IT sector.

He revealed that the Privatisation Commission had been asked to work full throttle on loss-making public-sector enterprises.

Speaking on the occasion, Minister of State for Revenue Hammad Azhar said standard operating procedures (SOPs) were being developed for the issuance of tax-exemption certificates. Raids on business premises had been ceased and SOPs were being framed in that regard, he said.

Azhar pointed out that the Tax Reforms Implementation Committee was active while tax policy and tax administration were being separated.

Federal Board of Revenue Chairman Jahanzeb Khan said reforms in the FBR were one of the top priorities of the government for trust-building. “Very few people pay taxes, however, we have managed to collect data and are now trying to bring all influential people under the tax net, which our data suggests are tax evaders,” he said.

Published in The Express Tribune, January 29th, 2019.
https://tribune.com.pk/story/1898971/2-privatisation-state-units-take-eight-years/

March 2019

NEWS COVERAGE PERIOD FROM MARCH 25th TO MARCH 31st 2019

GOVT EYES $2BN FROM HAVELI, BALLOKI POWER PLANTS SELL-OFF

Amin Ahmed Updated March 29, 2019

ISLAMABAD: The National Assembly’s Standing Committee on Privatisation was informed on Thursday that government expects to fetch $2 billion from the privatisation of 1,223MW Balloki and 1,230MW Haveli Bahadur Shah power plants.

An evaluation committee has been formed in the Privatisation Commission to evaluate expressions of interest, technical and financial proposals submitted by interested parties for hiring of financial advisers, Secretary Privatisation Rizwan Malik informed the committee.

The Cabinet Committee on Privatisation has approved initiation of the appointment of financial advisers.
The power plants are owned by the National Power Management Company. As a result of the evaluation process, bids from five consortiums have been short-listed. Out of which, bid from a consortium of Credit Suisse, Elixir Securities, EY Ford Rhodes, Lummus Consultants Interntaional, Akhund Forbes Hadi and Latham and Watkins has been approved.

The Standing Committee held its meeting in the Parliament House under the chairmanship of MNA Syed Mustafa Mahmud to provide a comprehensive briefing on the government’s privatisation programme. With respect to the privatisation of the SME Bank, privatisation secretary informed the committee that the bank was consistently incurring losses and the government – which owns around 93.88pc shares of the bank — plans to divest 100pc of its stake along with management control to a strategic investor. Moreover, three consortiums have submitted their technical and financial proposals and the evaluation is expected to complete within next few days.

The committee has asked for opinion from the finance ministry, State Bank of Pakistan and SME Bank on the bank’s privatisation in its next meeting. The remaining share in the bank — around 6.12pc — is held by six commercial banks.

SME Bank has a paid-up capital of Rs2.39bn and is operating with a network of thirteen commercial banks.

Published in Dawn, March 29th, 2019

NEWS COVERAGE PERIOD FROM MARCH 4th TO MARCH 10th 2019

‘GOVT PLANS TO PRIVATISE AT LEAST 8 ENTITIES BY YEAR END’

By Our Correspondent Published: March 7, 2019

ISLAMABAD: A parliamentary panel was told on Wednesday that the government has planned to privatise at least eight government-owned organisations by the end of the current year in order to generate revenue to ‘pay off loans and end poverty’.

In a meeting of the National Assembly Standing Committee on Privatisation, chaired by Mustafa Mehmood, Secretary Privatisation Rizwan Malik briefed participants on the privatisation programme.

He said 1,230MW Haveli Bahadar Shah and 1,223MW Balloki power plants, SME Bank, Service International Hotel, Jinnah Convention Center, Lakhra Coal Development Company, First Women Bank and Mari Petroleum Company are included in the government’s active privatisation list.

“The government intends to complete privatisation of Haveli Bahadar Shah and Balloki power plants by August,” he said, adding that Chinese and Russian companies have also shown interest in investing in the ailing Pakistan Steel Mills (PSM).

He said talks for sale of the PSM on the basis of public-private partnership are underway with 5 to 6 parties belonging to Russia and China. New investors want to increase the PSM’s production capability from 1.1 million tons annually to 3.5 million tons.

The government is facing a loss of Rs400 million annually due to the closure of the PSM, he added.

He told the committee that the Aviation Division is preparing a plan for restructuring the Pakistan International Airlines’ (PIA) and the plan will be presented in the current month.

He said power distributing companies (Descos) were also on the privation list but the government stopped the privation process owing to strikes by the employees and other issues. “Right now 1,230 MW Haveli Bahadur Shah and Balloki power plants are put on the government’s privatisation list.”

He said government also intends to sell its share in the SME Bank, Service International Hotel, Jinnah Convention Centers, Lakhra Coal Development Company, First Women Bank, Mari Petroleum Company.

“Privatisations of all these institutes will be completed in the current year. There is a list of expenditure on the hiring of financial advisers. In the past, financial advisers were hired for 26 institutions but privatisation caused a loss. The process of privatising SME is under way,” he added.
He said the government has shortlisted three financial advisers and ten famous companies have shown interest in this regard. Properties lying useless with different ministries will also be privatised. “The amount received from the privatisation will be used to pay back loans and end poverty,” he added.

The Privatisation Commission secretary said 5 institutions were sold for Rs173 billion from 2013 till 2018 during the Pakistan Muslim League-Nawaz (PML-N) last government while the Pakistan Peoples Party (PPP) government during its tenure from 2008 till 2013 sold only one company.

“Thirty-eight (38) institutions were privatised during PML-Q’s government from 2002 till 2007. “These 38 entities were sold at a total price of Rs377 billion. From 1999 till 2002 which was a non-political period, 27 institutions were sold for Rs38.700 billion. The privatisation process was stopped in 2015.”

He said the amount obtained from privatisation in the past was transferred to the Finance Ministry. “The government does not have funds to restructure government institutions running on loss,” he said.


NEWS COVERAGE PERIOD FROM MARCH 25th TO MARCH 31st 2019
GOVT EYES $2BN FROM HAVELI, BALLOKI POWER PLANTS SELLS-OFF

Amin Ahmed Updated March 29, 2019
ISLAMABAD: The National Assembly’s Standing Committee on Privatisation was informed on Thursday that government expects to fetch $2 billion from the privatisation of 1,223MW Balloki and 1,230MW Haveli Bahadur Shah power plants.

An evaluation committee has been formed in the Privatisation Commission to evaluate expressions of interest, technical and financial proposals submitted by interested parties for hiring of financial advisers, Secretary Privatisation Rizwan Malik informed the committee.

The Cabinet Committee on Privatisation has approved initiation of the appointment of financial advisers.

The power plants are owned by the National Power Management Company.

As a result of the evaluation process, bids from five consortiums have been short-listed. Out of which, bid from a consortium of Credit Suisse, Elixir Securities, EY Ford Rhodes, Lummus Consultants International, Akhund Forbes Hadi and Lathman and Watkins has been approved.

The Standing Committee held its meeting in the Parliament House under the chairmanship of MNA Syed Mustafa Mahmud to provide a comprehensive briefing on the government’s privatisation programme.

With respect to the privatisation of the SME Bank, privatisation secretary informed the committee that the bank was consistently incurring losses and the government – which owns around 93.88pc shares of the bank — plans to divest 100pc of its stake along with management control to a strategic investor.

Moreover, three consortiums have submitted their technical and financial proposals and the evaluation is expected to complete within next few days.

The committee has asked for opinion from the finance ministry, State Bank of Pakistan and SME Bank on the bank’s privatisation in its next meeting.

The remaining share in the bank — around 6.12pc — is held by six commercial banks.

SME Bank has a paid-up capital of Rs2.39bn and is operating with a network of thirteen commercial banks.

Published in Dawn, March 29th, 2019


NEWS COVERAGE PERIOD FROM MARCH 4th TO MARCH 10th 2019
‘GOVT PLANS TO PRIVATISE AT LEAST 8 ENTITIES BY YEAR END’

By Our Correspondent Published: March 7, 2019
ISLAMABAD: A parliamentary panel was told on Wednesday that the government has planned to privatise at least eight government-owned organisations by the end of the current year in order to generate revenue to ‘pay off loans and end poverty’.

In a meeting of the National Assembly Standing Committee on Privatisation, chaired by Mustafa Mehmood, Secretary Privatisation Rizwan Malik briefed participants on the privatisation programme.

He said 1,230MW Haveli Bahadar Shah and 1,223MW Balloki power plants, SME Bank, Service International Hotel, Jinnah Convention Center, Lakhra Coal Development Company, First Women Bank and Mari Petroleum Company are included in the government’s active privatisation list.

“The government intends to complete privatisation of Haveli Bahadar Shah and Balloki power plants by August,” he said, adding that Chinese and Russian companies have also shown interest in investing in the ailing Pakistan Steel Mills (PSM).

He said talks for sale of the PSM on the basis of public-private partnership are underway with 5 to 6 parties belonging to Russia and China. New investors want to increase the PSM’s production capability from 1.1 million tons annually to 3.5 million tons.

The government is facing a loss of Rs400 million annually due to the closure of the PSM, he added.

He told the committee that the Aviation Division is preparing a plan for restructuring the Pakistan International Airlines’ (PIA) and the plan will be presented in the current month.

He said power distributing companies (Descos) were also on the privation list but the government stopped the privation process owing to strikes by the employees and other issues. “Right now 1,230 MW Haveli Bahadur Shah and Balloki power plants are put on the government’s privatisation list."

He said government also intends to sell its share in the SME Bank, Service International Hotel, Jinnah Convention Centers, Lakhra Coal Development Company, First Women Bank, Mari Petroleum Company.

“Privatisations of all these institutes will be completed in the current year. There is a list of expenditure on the hiring of financial advisers. In the past, financial advisers were hired for 26 institutions but privatisation caused a loss. The process of privatising SME is under way,” he added.

He said the government has shortlisted three financial advisers and ten famous companies have shown interest in this regard. Properties lying useless with different ministries will also be privatised. “The amount received from the privatisation will be used to pay back loans and end poverty,” he added.

The Privatisation Commission secretary said 5 institutions were sold for Rs173 billion from 2013 till 2018 during the Pakistan Muslim League-Nawaz (PML-N) last government while the Pakistan Peoples Party (PPP) government during its tenure from 2008 till 2013 sold only one company.

“Thirty-eight (38) institutions were privatised during PML-Q’s government from 2002 till 2007. “These 38 entities were sold at a total price of Rs377 billion. From 1999 till 2002 which was a non-political period, 27 institutions were sold for Rs38.700 billion. The privatisation process was stopped in 2015.”

He said the amount obtained from privatisation in the past was transferred to the Finance Ministry. “The government does not have funds to restructure government institutions running on loss,” he said.


MAY, 2019

NEWS COVERAGE PERIOD FROM APRIL 29th TO MAY 5th 2019

PRIVATISATION OF SEVEN PSES TO BE DISCUSSED WITH IMF

Khaleeq Kiani Updated April 29, 2019

ISLAMABAD: The government has firmed up a plan for privatisation and restructuring of major public sector entities (PSEs) as part of the proposed medium-term economic and financial policies.

This will be part of discussions with the International Monetary Fund (IMF) this week for a three-year bailout package under which the provinces have agreed in principle on a single sales tax pro forma that will ultimately lead to a single value-added tax (VAT) regime.
Informed sources said the government was not committing with the IMF divestment of any of the loss-making entities at this stage and these would be passed through a restructuring phase, but transactions of seven mostly profitable and efficient entities would be completed in the first year i.e. fiscal year 2019-20. Govt not considering divestment of loss-making entities for the time being

The sources said the authorities of the Federal Board of Revenue and four provincial revenue boards have already agreed to launch a common (single) return pro forma on sales tax on services with effect from July 1 this year. They said the relevant federal and provincial authorities were also holding discussions on reducing the GST rate on services from 17 per cent to below 10pc, addressing inter-provincial refund-related issues and disputes.

Another round of discussion on single sales tax on services is scheduled for Monday (today) under the auspices of the FBR with representations from the four provinces. The key objective of the single tax regime was to remove difficulties and compliance costs of the leading businesses and multinationals which had to deal with multiple layers of tax filings.

The sources said that a series of inter-provincial meetings on the subject had already been held in Punjab, Sindh and Balochistan, while a final meeting was due in Khyber Pakhtunkhwa after the Monday meeting at the FBR to keep the IMF mission updating on the sidelines.

The sources said it was premature to say if the GST rate on services would come down with the start of the next fiscal year, adding that it would depend on the government-IMF engagements as the two sides wanted generation of additional revenue of around 0.3pc of GDP by the provinces to jack up their share from 1.3pc of GDP to 1.6pc in three years, with addition of Rs50-70 billion every year.

The sources said the government would use privatisation as one of the key components of its overall economic and financial policy framework, commonly known as part of “Memorandum of Economic & Financial Policies (MEFP)” to be signed with the IMF. Therefore, the government “has re-strategised selection of PSEs, bearing minimal operational, financial and human resource issues, for immediate privatisation so as to realise best value and attract strategic partnerships for its assets”.

The government has initially approved a plan to undertake sale of two newly commissioned RLNG (re-gasified liquefied natural gas) power plants at Balloki and Haveli Bahadur, privatisation of two specialised banks namely SME Bank and First Women Bank, two real estate assets namely Jinnah Convention Centre, Islamabad, and Services International Hotel, Lahore, and divestment of government’s residual 18.39pc equity in Mari Petroleum Limited. All these transactions are tentatively targeted for completion before Dec 31.

The government will also propose to the IMF to “undertake privatisation decision with regards to other PSEs in the power generation and distributions, oil & gas, industries sectors in light of recommendations by the Task Force on Energy Reforms, feasibility study and proposals/recommendations by the divisions concerned respectively”. The divisions and entities concerned have already been directed to formulate and submit their respective recommendations and proposals for consideration by the Privatisation Commission within the stipulated time period.

For restructuring of state-owned enterprises (SOEs), the government is explaining to the IMF that it has set up Sarmaey-i-Pakistan as a holding company for the management of select SOEs. This is to ensure that the excessive control of line ministries is taken away and political interference is done away with. The assessments are currently in progress for introduction of an SOE law and corporatisation of SOEs.

The appointment of board of directors and chief executive officers of a number of SOEs is currently at different stages. The government has decided to delist the Pakistan International Airlines from the privatisation programme and has made high-level changes in the PIA management to contain losses by financial and business restructuring, increasing the performance by route rationalisation, fleet modernisation and expansion, reducing financial and operational costs and providing better services to gain customers’ confidence.

The government has also decided to delist the Pakistan Steel Mills from the privatisation programme and the industries and production ministry is working with a private experts group for its operationalisation plan. The government will also report to the IMF that under the national transport policy, the railway infrastructure will remain in the public sector, while the private sector participation in railway operations and maintenance will be encouraged and promoted. The overall direction for future development of Pakistan Railways will be set through the PR strategic plan.
The plan envisages the overall long-term direction for the entity and aims to address and, where possible, solve the problems of pension obligations and asset allocation issues. It also intends to mitigate the issue of under-utilisation of new capacity that will be added over the next few years by promoting growth of traffic by rail and satisfying market demands.

Published in Dawn, April 29th, 2019

**NEWS COVERAGE PERIOD FROM MAY 6th TO MAY 12th 2019**

**PRIVATISATION OF OVER 36 PSES, FIS RECOMMENDED**

MUSHTAQ GHUMMAN | MAY 10TH, 2019 | ISLAMABAD

The Institutional Reforms Committee headed by Prime Minister’s Advisor on Institutional Reforms and Austerity, Dr. Ishrat Hussain has reportedly recommended privatisation of more than three dozens public sector entities and financial institutions, well-informed sources told Business Recorder.

The federal government currently has about 440 Organizational Entities (OEs), which consist of numerous attached departments, subordinate offices, autonomous bodies, registered companies, statutory corporations etc under various Divisions/ Ministries.

The present organizational architecture is riddled with diffused responsibility and clear lack of accountability for results, Dr Hussain has noted and keeping in view the reform agenda of the government, it may be appropriate to examine the rationale and jurisdiction for each of these entities which have evolved overtime in an ad-hoc manner. “There is no institutionalized mechanism whereby entities can be created, modified or wound up,” he said, adding that the nomenclature, functions and legal authority of these entities vary across the Ministries and there is no uniform or standard criteria that can provide meaningful distinctions between each of these entities or units of the government.

Analysis carried out by the Institutional Reforms Cell show that these entities need to be brought under a standardized system of organisation and aligned with the goals of good governance.

In this backdrop, the Task Force on Austerity and Restructuring of Government examined all these entities and divided them into following seven categories: (i) those to be privatized or transferred to Sarmaya Pakistan Limited (44); (ii) those to be transferred to the Provincial Governments, Islamabad Capital Territory (ICT) and Gilgit Baltistan(14); (iii) those to be liquidated, wound up or closed down (4) to be merged with other entities (32); (iv) those to be reorganized as training and policy support institutes; and (iv) the remaining OEs to be retained by the federal government only in two broad categories, ie Executive Departments (84) and autonomous bodies (243).

A detailed mapping exercise was carried out regarding proposed configurations of the existing organizational entities. The existing attached departments and subordinate offices have been mapped separately from the existing autonomous bodies, registered companies, statutory corporations etc. As a result, it is generally proposed to retain the attached departments and subordinate offices as Executive Departments and the autonomous bodies, registered companies, statutory corporations etc as autonomous bodies. Resultantly, the federal government would retain 327 organizational entities under two broad categories of (i) Executive Departments (84) and; (ii) Autonomous Bodies (243).

The Institutional Reforms Committee considered three categories of Federal Government Organizations as possible candidates for privatization, ie, (a) Commercial/Semi Commercial/Manufacturing Business (46) (b) Public Utilities/service providers (42) and (c) Financial Institutions (21). 109 OEs account for 27 percent of the total OEs under the Federal Government.

The Privatization Commission furnished information about the Organizations included in the pipeline for privatization. In addition the Task force made its own assessment as to which other organizations can be considered as candidates for privatization. On the basis of this examination the panel came to the conclusion that at least 40 OEs can be privatized.

For the time being the panel does not include the Discos in Peshawar, Tribal Areas, Quetta and Hyderabad. The number of OEs in these three categories should therefore decline from 109 to 73 by the time the privatization process is completed. The following list shows the organizations that will no longer remain part of the Federal Government and are therefore excluded from any further scrutiny: (i) Cabinet Printing Corporation of Pakistan (PCP);(ii) State Life
NEWS COVERAGE PERIOD FROM MAY 13th TO MAY 19th 2019

SINDH RESISTS SALE OF PSM LAND FOR SETTLING LIABILITIES

By Zafar Bhutta

Published: May 19, 2019

ISLAMABAD: The Sindh government has scuppered a plan of the Pakistan Tehreek-e-Insaf (PTI) administration in the centre to revive the financially troubled and closed Pakistan Steel Mills (PSM) by resisting the sale of its land for settling liabilities.

An expert group, formed by the current PTI government and tasked with suggesting ways for reviving PSM, in its report recommended that land assets available with the steel mill could be utilised to settle outstanding liabilities worth Rs206 billion.

It suggested that the land should be sold for industrial purposes which would give a boost to job creation, adding that a detailed review of the applicable regulations should also be undertaken by the government.

However, according to officials, owing to some observations of the Sindh government, the suggested option was found unviable.

Experts suggested that available land of PSM other than the land on which the mill had been built may be utilised for establishing steel-related industrial units for revenue generation. The Ministry of Industries and Production, in a meeting, told the Economic Coordination Committee (ECC) that Russian and Chinese companies were interested in running PSM, but the major challenge was the mill’s huge outstanding liabilities. After detailed deliberations, the ECC agreed to place PSM on the privatisation list and directed the Privatisation Division to initiate due process for the mill’s sell-off.

The ECC also decided that implementation of a revival plan based on private-sector input may be initiated and a report be submitted to the Cabinet Committee on Privatisation within six months for its consideration. The hiring of a transactional adviser and evaluation of foreign investors expressing interest in the steel mill would be the responsibility of the Privatisation Division, it said.

In their report, the experts said in order to make PSM operations profitable and sustainable, the current organisational structure – manpower and non-core departments – had to be rationalised and aligned with international best practices. The expert group was of the view that PSM should not be privatised and shut down as it is a strategic asset of national interest.

It emphasised that the revival of PSM was technically possible through a phase-wise approach targeting first the downstream hot-rolled coil/cold-rolled coil (HRC/CRC) operations with a parallel revamp and retrofitting of upstream equipment. This would help in restoring the 1.1-million-ton-per-annum production capacity of the mill, followed by its expansion to 3 million tons, it said. The experts recommended the exploitation of domestic iron ore and coal reserves for their consumption in PSM by offering supportive fiscal incentives and a regulatory package to mining companies.
They said the government should establish public-private partnership in a bid to stimulate the necessary capital investment and obtain the requisite technical expertise for the successful revival, expansion and subsequent sustainable operations of PSM. It recommended the hiring of a transaction advisory consortium for selecting the preferred bidder and implementation of the liability settlement plan. The Ministry of Industries had proposed two options to the ECC – putting PSM on the privatisation list and hiring a transaction adviser for bid selection.

Published in The Express Tribune, May 19th, 2019.


NEWS COVERAGE PERIOD FROM MAY 13th TO MAY 1st 2019

SINDH RESISTS SALE OF PSM LAND FOR SETTLING LIABILITIES

By Zafar Bhutta Published: May 19, 2019

ISLAMABAD: The Sindh government has scuppered a plan of the Pakistan Tehreek-e-Insaf (PTI) administration in the centre to revive the financially troubled and closed Pakistan Steel Mills (PSM) by resisting the sale of its land for settling liabilities.

An expert group, formed by the current PTI government and tasked with suggesting ways for reviving PSM, in its report recommended that land assets available with the steel mill could be utilised to settle outstanding liabilities worth Rs206 billion.

It suggested that the land should be sold for industrial purposes which would give a boost to job creation, adding that a detailed review of the applicable regulations should also be undertaken by the government.

However, according to officials, owing to some observations of the Sindh government, the suggested option was found unviable.

Experts suggested that available land of PSM other than the land on which the mill had been built may be utilised for establishing steel-related industrial units for revenue generation. The Ministry of Industries and Production, in a meeting, told the Economic Coordination Committee (ECC) that Russian and Chinese companies were interested in running PSM, but the major challenge was the mill’s huge outstanding liabilities. After detailed deliberations, the ECC agreed to place PSM on the privatisation list and directed the Privatisation Division to initiate due process for the mill’s sell-off.

The ECC also decided that implementation of a revival plan based on private-sector input may be initiated and a report be submitted to the Cabinet Committee on Privatisation within six months for its consideration. The hiring of a transactional adviser and evaluation of foreign investors expressing interest in the steel mill would be the responsibility of the Privatisation Division, it said.

In their report, the experts said in order to make PSM operations profitable and sustainable, the current organisational structure – manpower and non-core departments – had to be rationalised and aligned with international best practices. The expert group was of the view that PSM should not be privatised and shut down as it is a strategic asset of national interest.

It emphasised that the revival of PSM was technically possible through a phase-wise approach targeting first the downstream hot-rolled coil/cold-rolled coil (HRC/CRC) operations with a parallel revamp and retrofitting of upstream equipment. This would help in restoring the 1.1-million-ton-per-annum production capacity of the mill, followed by its expansion to 3 million tons, it said. The experts recommended the exploitation of domestic iron ore and coal reserves for their consumption in PSM by offering supportive fiscal incentives and a regulatory package to mining companies.

They said the government should establish public-private partnership in a bid to stimulate the necessary capital investment and obtain the requisite technical expertise for the successful revival, expansion and subsequent sustainable operations of PSM. It recommended the hiring of a transaction advisory consortium for selecting the preferred bidder and implementation of the liability settlement plan. The Ministry of Industries had proposed two options to the ECC – putting PSM on the privatisation list and hiring a transaction adviser for bid selection.

Published in The Express Tribune, May 19th, 2019.

‘BECH DE!’

Aasim Sajjad Akhtar Updated May 17, 2019

MANY readers will recognise that the title of this column is borrowed from an online marketplace that is increasingly popular in Pakistan. This refrain is emblematic of the ideas that dominate our society and world, ideas that most of us endorse uncritically on a daily basis. My question is: what’s the difference between the slogan ‘Bech de!’ and the policies that the PTI government has loyally agreed to implement at the urging of the IMF?

In particular, I want to call attention to one of the fundamental prescriptions that the IMF and other multilateral donors have consistently peddled since the 1980s when the policy regime known as neo-liberalism displaced the Keynes-inspired orthodoxies of the post-WWII period. This policy is called privatisation, and by all accounts the agreement signed with the IMF a few days ago will lead to the government selling off more and more of an already emaciated public service sector.

Note that the IMF, other donors, all manner of ‘experts’ and the current finance minister himself all concur that assets parked in the public sector represent a colossal waste of resources. Ordinary Pakistanis do not need to be told that many public institutions are inefficient and sometimes even oppressive, and that many of them are little more than white elephants sucking taxpayer monies.

But does this mean that it is necessary to sell public institutions into private hands? What about the altogether reasonable alternative, which is to identify the causes of poor performance and then improve the functioning of public institutions?

We put public services on the chopping block.

After all, the state is an entity to which ordinary citizens accord authority precisely because it guarantees basic needs irrespective of class, ethnicity, gender and so on. Yes, private enterprises may be willing to invest in the provision of basic services, but the evidence clearly confirms that they do not guarantee universal provision because it is generally not profitable.

Many of us lament the state and its retreat but rarely in terms of the economy. Here the state is conceptualised only in terms of its ‘assets’ which, when we apply the principle of ‘Bech de!’ , fetch a one-time profit. So, for instance, PIA owns a hotel in central Manhattan that many private investors would jump at the opportunity to buy. Many other public-sector institutions can also be broken up into pieces and their ‘assets’ sold for profit. This is necessary, many of us believe, because we need money to keep the economy afloat.

But what about the whole principle of the state providing services to the citizenry?

Frankly, that principle went up in smoke a long time ago. Most of us ordinary Pakistanis no longer even harbour expectations of a functioning public sector. Admittedly, the state has never had a very pronounced welfare function, but there was a time not too long ago when this country’s working people, and even segments of the elite, patronised public schools/universities, public hospitals, and even shared public recreational spaces. This was because such services were provided to the larger public by the state, no matter how sparingly.

Now it is taken for granted that those of us who do not have the money or contacts will not gain access to certain services, even if it is a matter of life and death.

Today the state is talking up ‘development’ in historically under-serviced areas like rural Sindh, rural KP, Balochistan and erstwhile Fata but it’s hard to ignore the fact that most interventions are designed to facilitate private investors looking to extract mineral resources such as coal, copper, gold and various iron ores. Roads are of course being built at breakneck pace, and such infrastructure can potentially serve the wider public interest, but the emphasis is more on creating an ‘enabling environment’ for the ‘free market’ while needs such as education, health, transport, drinking water, energy are still effectively luxuries that can only be purchased on the ‘free market’.

Meanwhile, the revenues we could generate by taxing profiteers are wilfully passed up, and it is public services that we put on the chopping block instead.

The most alarming privatisations on the cards are those of the remaining hospitals and colleges that do remain in the public domain. The young doctors, nurses, teachers and other public-sector employees often on strike these days can be criticised, but at least some are calling attention to the ongoing erosion of public health and education; these
hospitals and colleges are the only form of insurance that working people have in a tyrannical world ruled by private profiteers.
More of us ought to think carefully about the hegemonic power of slogans such as ‘Bech de!’ and ‘Khareed le!’ and start reimagining alternatives that allow us to free ourselves from the debt and arm-twisting of the IMF and the complicity of state and private elites that could not care less about people’s needs.
The writer teaches at Quaid-i-Azam University, Islamabad.
Published in Dawn, May 17th, 2019

JUNE 2019

NEWS COVERAGE PERIOD FROM JUN 10th TO JUN 16th 2019

GOVERNMENT SETS RS 150 BILLION TARGET THROUGH PROCEEDS OF PRIVATISATION

ASIM IQBAL | JUN 12TH, 2019 | ISLAMABAD

The federal government has set a target of Rs 150 billion from privatisation proceeds in 2019-20. The Cabinet Committee on Privatisation (CCoP) on October 31, 2018 approved new privatisation plan for 64 state-owned entities to be privatised in five years in three phases.

In the first phase, the government has eight PSEs in the active privatisation programme and is aiming to complete the initial phase within a period of 12 to 18 months. These PSEs include: (1) National Power Management Co Ltd; (i) 1230 MW Haveli Bahadur Shah and (ii) 1223 MW Balloki Powr Plants; (2) SME Bank Limited; (3) Services International Hotel; (4) divestment of government of Pakistan’s residual shares in Mari Petroleum Company Limited (MPCL); (5) Jinnah Convention Centre, Islamabad; (6) Lakhra Coal Mines and; (8) First Women Bank Limited.

The Privatisation Division has already hired financial advisors for the privatisation of two power plants and SME bank.

As many as 41 PSEs have been earmarked for phase-II and the concerned ministries/divisions have been directed to conduct sectoral studies prior to their privatisation. These will be up for privatisation over a period of three to five years, according to the government plan. The government has de-listed 15 labour sensitive entities from privatisation list including Pakistan Steel Mills, Power Distribution Companies (DISCOs) and Pakistan International Airlines (PIA).

Other entities which have been delisted are National Bank of Pakistan, Industrial Development Bank Limited (IDBL), Trading Corporation of Pakistan (TCP), Pakistan State Oil Company Limited (PSO), Sui Northern Gas Pipelines Limited (SNGPL), Sui Southern Gas Company Limited (SSGC), Civil Aviation Authority (CAA), Utility Stores Corporation of Pakistan (USC), Pakistan Steel Fabricating Company Limited, National Highways Authority (NHA), National Construction Limited (NCL), Printing Corporation of Pakistan (PCP) and Pakistan Railways as well as its allied facilities, factories, workshops, etc.

https://fp.brecorder.com/2019/06/20190612485307/

AUGUST 2019

NEWS COVERAGE PERIOD FROM AUGUST 05th TO 11th, 2019

PIA’S PREDICAMENT — TO PRIVATISE OR REORGANISE

Dr Wali Niaz Mughni Updated August 05, 2019
The continuing burden on the national exchequer and tax-payers’ waning confidence in the government’s intent to recoup a sick airline is a serious concern. Malaysian Airlines, LOT Polish Airlines, Italy’s Alitalia, Pakistan International Airlines (PIA) and a host of other state-owned airlines, that are de facto the ‘flags of inconvenience’ (as economist refers to them) continue to get periodic life-saving financial injections as emotionally-charged protectionists at the helm of affairs disregard all logical arguments to consider otherwise. Charting a new route to arrest the incumbent national airline’s perennial sinking syndrome is a mission critical to national growth and success.
In the formative stages of global commercial aviation, almost all nations with established airlines had, in one form or the other, state-ownership and control of the airline that represented their respective nation. Today, there are about 147 government-owned airlines out of approximately 300 scheduled airlines in operation in the world. In the last 40 years, there is a continuing global trend of privatising state-owned airlines.

It is a well-known fact that despite preferential treatment that hurts competitors, many of these flagship carriers are performing poorly and are increasingly displaying less than desirable results in their operational efficiency and profitability.

The European Commission, for example, has had to address several contentious cases since the mid-1990s involving such ag-carriers as Sabena (Belgium), Air France, Alitalia and Olympic Airways (Greece). All of these have been accused of receiving overt or covert subsidies or of receiving preferential treatment by their governments. Emirates, Etihad and Qatar airlines face similar allegations from big global players in the aviation industry.

There are many examples where countries have contemplated privatisation of state-owned airlines but have hesitated to take a timely decision. The decision to privatise, not to privatise, and/or reorganise is procrastinated indefinitely. PIA is no exception.

One example is of Italy’s flag carrier Alitalia airline which was losing $1.4 million-a-day when Etihad bought a 49 per cent share in the company and rescued the ailing airline by a commitment to inject $1.8 billion. In 2015, Etihad proposed to buy 75pc shares of the airline, leaving 25pc with Alitalia. There were some signs of recovery in 2016, but the airline again came on the verge of sliding into a possible bankruptcy in 2017.

In early 2019, China Eastern Airlines expressed interest in Alitalia’s rescue plan with an injection of €100 million in exchange for a 10pc stake. The vicissitude of fortunes and performance continues to haunt the cash crunched flag carrier. Despite visible signs of insolvency, there is hesitancy in the hierarchy to let go of the status of a flag-carrier airline.

Another example is of Malaysian Airlines. In 2014, Malaysian government’s sovereign wealth fund Khazanah Nasional, which then owned 69.37pc of the airline, publicly announced that it intends to purchase the remaining ownership from minority shareholders and de-list the airline from Malaysia’s stock exchange, thereby re-nationalising the airline. In 2019, it now plans to re-list the airline after it regains financial stability.

In May 2018, the accumulated losses of PIA stood at almost Rs312 billion. In May 2019, the losses had surged to Rs416bn. Based on a track record of continued losses and the government’s injection of substantial funds to keep the airline afloat, the previous government was inclined to privatise the airline.

Accordingly, the PIA Act of 1956 was amended in early 2016 which prevented the transfer of management control to private investors and converted the entity into a company. PIA was also on the active list of ‘privatisations’ that the previous government shared with the International Monetary Fund under the last three-year $6.2bn bailout package. The most outstanding government owned successful airline is Ethiopian Airlines with 100pc state ownership. The airline has an aircraft to employee ratio of about 1:100. The airline has maintained a no-political interference policy and continues to remain profitable in its operations.

Few and far between are airlines that are state-owned and yet flourishing. Key success factors for state-owned airlines, derived from examples of Ethiopian Airlines and Singapore Airlines, are non-interference of political leadership in the airline’s business affairs, professional hiring, long-term planning and adoption of innovative and modern methods, practices and technologies.

Emphasis on fleet modernisation, revenue management, network analysis, optimal route selection/planning, and customer centricity, as well as liberalisation and fair playing field for all competitors, plays an important role in the success of a state-owned enterprise. Lastly, limited or no unionisation is vital for success as well.

Turkish Airlines CEO Dr Temel Kotil states “everything for us changed completely after Turkish Airlines was privatised in 2006.”

It is necessary for decision makers to consult globally renowned professionals and take a timely decision to privatise or continue to treat their hypoxic state-owned airline through experimentations.

The nationality mark of an aircraft or flying machine registered in Pakistan begins with prefix ‘AP’. To offer an even playing field for all operators, all AP registered airlines should be considered as flag carriers.


**NEWS COVERAGE PERIOD FROM AUG 26th TO SEP 01st, 2019**

**10 MORE STATE UNITS PICKED FOR PRIVATISATION**

By Shahbaz Rana Published: August 27, 2019
ISLAMABAD: The Privatisation Commission (PC) board on Monday agreed to initiate the process of privatising 10 more entities including three power sector and two blue-chip firms and gave directives for the recovery of Rs142 billion worth of dues.

The board gave the go-ahead for hiring financial advisers to privatise two blue-chip oil and gas exploration firms, three power generation companies, two financial institutions, and two engineering companies, according to an official of the Ministry of Privatisation.

With the decision, the active privatisation list swelled to 17, which during the tenure of the previous Pakistan Muslim League-Nawaz (PML-N) government comprised 65 entities, but the current Pakistan Tehreek-e-Insaf (PTI) government cut it down to seven in October last year.

“The board has approved the initiation of privatisation process of 10 entities and expressions of interest for hiring financial advisers will be invited within 48 hours,” Privatisation Secretary Rizwan Malik told *The Express Tribune* after a marathon board meeting.

The PTI government had largely shelved the privatisation plan but there was a change of heart after the appointment of Adviser to Prime Minister on Finance Dr Abdul Hafeez Shaikh, who pushed the government to sell state-owned entities.

A report of the State Bank of Pakistan (SBP) last week showed that the debt of public sector enterprises (PSEs) increased 47% to Rs2.1 trillion within one year, ending June 30, 2019.

Headed by Privatisation Minister Mohammadmian Soomro, the PC board also discussed a receivable committee report, which called for fast-tracking the recovery of nearly Rs142 billion on account of 14 privatisation transactions. A legal committee was set up to find ways to recover these dues as some parties had challenged the government’s claims in courts.

The PC board’s receivable committee has identified Rs142 billion worth of dues to be paid by buyers of government entities. The maximum amount of Rs137 billion had been outstanding against Etisalat on account of divestment of 26% stake of Pakistan Telecommunication Company Limited (PTCL) and Rs8.9 billion of withheld dividends.

The committee also found that the Privatisation Commission in the past did not fully disclose its receivables. For instance, Rs137.7 million worth of dues from Trust Investment Bank Limited were not shown in the books.

The issue of Etisalat dues has remained pending for the past more than 10 years. Finance Adviser Shaikh, in his capacity as privatisation minister in 2006, had signed a revised sale-purchase agreement with Etisalat, which involved the transfer of properties in the name of PTCL.

The board approved the expansion of the active privatisation list by adding 10 more entities. PC had requested the board to approve the privatisation of Pakistan Re-Insurance Corporation, Pakistan Petroleum Limited (PPL), Gujranwala Electric Power Company (Gepco), Nandipur Power Plant, Guddu Power Plant, First Women Bank Limited, House Building Finance Corporation (HBFC), Pakistan Engineering Company (Peco), Heavy Electrical Complex (HEC) and Sindh Engineering Limited.
The board did not approve Peco, Gepco and Pakistan Re-Insurance Corporation for privatisation. Gepco was dropped on the request of Power Division.

Instead, the board approved the start of privatisation process for Oil and Gas Development Company and Kot Adu Power Plant.

Early this month, the Cabinet Committee on Privatisation (CCOP) directed the PC to select any 10 public sector enterprises from the privatisation list approved by the CCOP in October 2018 for privatisation.

The PC board also approved the initiation of the process for privatisation of 425-megawatt Nandipur Power Plant and 747MW Guddu Power Plant.

The PML-N government had abandoned the privatisation of power companies in November 2015, which was also followed by the PTI government. The last government had entered into financial advisory service agreements to privatise over 12 power-sector companies, which cost the kitty more than Rs1.7 billion without achieving anything.

The board also approved the privatisation of PPL in which the government currently holds 67.5% shares. The company’s market capitalisation is estimated at Rs271 billion at the closing share price of Rs119.5 as on August 23, 2019, the board was informed.

However, the PPL in the past had been struck off the list after provinces raised constitutional issues about the oil and gas sector after the 18th Constitution Amendment.

The board was informed about the legal hindrances in privatisation of Peco due to a 2011 pending inquiry of NAB. The inquiry is being delayed due to pressure exerted by Karachi-based industrialists, said the sources. The board dropped Peco from the list.

Peco was on the privatisation list and despite the then government’s instructions not to dilute its direct or indirect shareholding, the National Investment Trust (NIT) offloaded its 1.18 million shares, which reduced the government’s shareholding to 33.25% and private shareholding increased to 66.75%.

In 2008, the Public Accounts Committee took up the matter of divestment of Peco shares by NIT and referred the case to NAB for investigation in 2011. The matter is still under consideration of NAB.

TIP REMOVED FROM LIST OF GOVT DEPTS TO BE PRIVATISED: MINISTER

AUGUST 29, 2019

He said the exhibition would highlight the work entrepreneurs have done in the field of IT.

The ministry is also moving rapidly towards introducing a paperless environment in government offices by the end of the year, he said.

In response to a question, Mr Jamal Shahid August 29, 2019

ISLAMABAD: The Telephone Industries of Pakistan (TIP) has been removed from a list of government departments that are to be privatised. Minister for Information Technology (IT) Khalid Maqbool Siddiqui said on Wednesday.

At a press conference on his ministry’s performance in the last year, Mr Siddiqui said they are also speaking with the producers of various cellular mobile phones, mostly Chinese, and “encouraging them to use [TIP]to start assembly or manufacturing handsets in Pakistan.”
Mr Siddiqui touched on various matters, from IT exports rising to $4 billion a year to Pakistan becoming the first country in the region to test 5G broadband and an exhibition presenting entrepreneurs’ ideas to the outside world starting Sept 17.

Siddiqui blamed the previous government for failing to inform cellular operators of the renewal of their licences at least a year in advance. He said the matter is in court and will be decided soon.

Cellular operators Jazz and Telenor agreed to pay $291m and $224.6m following court orders last week.

To another question, he said the government is holding talks with the management of Etisalat on the payment of the outstanding $800m.

He also spoke about the government’s initiatives for the youth in IT, saying that universities provide 25,000 IT students every year but roughly 5,000 find work.

“The IT ministry will soon offer an online certification course that will help students find recognition as well as work at home and abroad,” he said.

According to the minister, until June this year, IT and IT enabled services export remittances surged to $902m at a growth rate of 8.2pc, whereas the Pakistan Software Export Board estimated that total IT and IT enabled services exports stood at $4.1bn, including to $500m earned by micro, small and medium enterprises.

The briefing was also informed that the number of IMEIs registered since Jan 15, 2019, was 44m, resulting in approximately Rs5bn to the national exchequer.

Another press conference will be called in three months for an update on the ministry’s work.


PRIVATISATION OF PSM TO TAKE LONGER THAN EXPECTED

By Shahbaz Rana Published: August 30, 2019

ISLAMABAD.: The government has received a subdued response to its offer to hire financial advisers for privatising the loss-making Pakistan Steel Mills (PSM), underscoring that it will have to face challenges in completing some major transactions and getting a fair price due to economic slump and political uncertainty.

The lukewarm response underlines the challenges that the government will face in completing one-and-a-half dozen privatisation transactions.

These include divestment of 7% shares of Oil and Gas Development Company Limited (OGDCL) and 10% stakes in Pakistan Petroleum Limited (PPL).

Compared with the 2014’s offered share price, the Pakistan Tehreek-e-Insaf (PTI) government would earn Rs40 billion less today due to a decrease in share prices of these enterprises.

Till the extended last day, only three consortiums had come forward in response to the Privatisation Commission’s Expression of Interest (EoI) to hire a financial adviser for finding a partner in the closed PSM, the government officials told The Express Tribune on Thursday.

Two of them provided complete documentation while one sought more time, they added.

The consortiums of the Topline Securities, Citi Bank, and Pak-China Investment Bank submitted documents.

One of them sought more time and the decision would be made in the coming days during the evaluation process.

The consortium of Pak-China Investment Bank (lead firm), China Development Bank Securities, M/s Fergusons & Co (PWC), Cornelius, Lane & Mufti (CLM), Abacus Consulting, M/s SinoSteel and M/s Iqbal Nanjee & Co had also been hired in 2015 as financial advisers for the privatisation of PSM. But the last Pakistan Muslim League-Nawaz (PML-N) government had prematurely shelved the programme.
The officials said that Prime Minister Imran Khan was eager to complete the PSM transaction at the earliest after Adviser to the Prime Minister on Commerce Abdul Razak Dawood claimed in October last year that he could do the job in just three months.

However, the expert group, which had been set up to explore various options to decide the fate of the country’s largest but the closed industrial unit, took six months to give its report to the prime minister.

In October last year, the PTI government had delisted the PSM from the active list of privatisation and decided to revive it. But subsequently, the government decided to restore the PSM on the active list of privatisation last month and initiated the process to hire financial advisers.

Although the PSM had been closed for the last almost four years, the government was paying monthly Rs355 million in salaries to the employees – a financial black hole that it now wanted to plug at the earliest.

It would not be easy for the government to complete these transactions and get a fair price, particularly when the stock market was depressed and there was also political uncertainty in the country. The statements made by some cabinet members about the possibility of war with India could also unnerve the investors.

The Privatisation Commission on Thursday issued fresh six EoIs to hire financial advisers for divestment of the OGDCL and the PPL shares and the privatisation of Guddu Power Plant, Heavy Electrical Complex, House Building Finance Corporation Limited (HBFCL) and First Women Bank Limited (FWBL).

The sources said that the government’s plan was to divest shares of the two blue-chip companies in the next few months to raise funds for budget financing if the outright strategic sales of some loss-making enterprises were not possible.

However, the PTI was following the footsteps of the PML-N that too sold shares in the profitable enterprise, like the PPL and some commercial banks. But today the economic conditions were not ripe to undertake these transactions due to a slump in the stock market.

At Thursday’s closing share price of the OGDCL and PPL, the PTI government would get Rs40 billion less than the offering price of these entities by the PML-N in 2014.

In 2014, the PML-N government had earned Rs15.4 billion by offloading only 5% shares of the PPL at Rs219 per share. On Thursday, the PPL’s share price decreased 4.8% to Rs107.67, according to the PSX summary.

At Thursday’s rate, the PTI government would earn Rs15.2 billion by divesting 10% shares --a potential loss of Rs15.4 billion.

Similarly, the PML-N government had offered the OGDCL share at Rs216 per share, but it canceled the transaction after it was not fully subscribed by the investors. The OGDCL share price also went down by 4.5% to Rs108.7 per share on Thursday.

PUNJAB TAKES MEASURES TO BOOST PRIVATE SECTOR PARTICIPATION

By Shahram Haq Published: September 7, 2019

LAHORE: Punjab Governor Chaudhry Muhammad Sarwar has promulgated the Punjab Public-Private Partnership Ordinance 2019 in a bid to foster an enabling environment for private sector participation for development of Punjab through Public-Private Partnership (PPP).

Though provincial assembly was absent during the session, Sarwar still expressed satisfaction that circumstances existed, which rendered it necessary to take immediate action on this ordinance.

According to the ordinance, a PPP policy and monitoring board would be established to promote, facilitate, coordinate, direct and oversee these projects.

The board would be headed by the Punjab chief minister and will comprise of 15 other members from different departments.

Through notification in the official gazette, the government would establish a PPP cell within the Planning and Development Board to act as a secretariat of PPP policy and monitoring board.

Besides the cell, the government will also establish ‘Punjab PPP Authority’, which would have the powers to enter into contracts and dispose of both moveable and immoveable property. A chief executive officer of the authority would also be appointed from the public or private sector.

Subject to the ordinance, the authority would enter in a PPP agreement with a private party for performance of functions or provision of services, management and finance for construction of a project besides arranging applicable payment to the private party.

The authority would also be liable to identify and conceptualise potential projects, which relate to development activities falling within sector or geographical area of the PPP project.

“The board shall, by taking into account the recommendations of the PPP cell and the risk management unity, consider a project proposal submitted by the authority and may, within 30 days, either approve or reject the proposal and return it to authority for amendment and resubmission,” the ordinance stated.

Following the board’s approval, the authority would be allowed to select a private party for the project through competitive public tendering, using a process of prequalification and bidding.

However, the entity would not be permitted to enter into direct negotiations with any person without competitive public tendering.

The ordinance further said that the draft PPP agreement shall clearly define the legal relationship between the authority and the selected private party, the rights and responsibilities including specific government support for the project.
The authority shall set user levies at levels that ensure financial viability of the project by fully covering the capital, operation and maintenance costs plus a reasonable rate of return to the private party or the authority. The ordinance also stated that in case of any dispute, the parties shall resolve it either by first deliberation to achieve a consensus, settling the dispute in an amicable manner by meditation or by attribution in the city of Lahore or any other place.


**NEWS COVERAGE PERIOD FROM SEP 09th TO 15th, 2019**

** PRIVATISATION TO BEGIN THIS YEAR, SAYS MINISTER **

The Newspaper's Staff Reporter  Updated September 14, 2019

KARACHI: Stalled since the infamous Supreme Court judgment in the Pakistan Steel Mills case, the privatisation process might be set to start again this fiscal year, said Privatisation Minister Mohammad Mian Soomro on Friday. The intention to begin the process this year was shared by the minister during an interactive session with investors and analysts from the financial sector. He said the government intends to generate revenue through privatisation of state-owned entities (SOEs) to meet large debt servicing obligations of the country.

Secretary Privatisation Commission Rizwan Malik said the government wants active privatisation plan initially for 6 to 7 SOEs while another 10 entities have been included for the next phase. The most important in this list of initial privatisation are 1,230MW Haveli Bahadur Power Plant and the 1,223MW Balloki Power Plant owned by National Power Parks Company (NPPC).

The meeting was informed that on the prime minister’s directive the privatisation process has been accelerated while capacity building of the Privatisation Commission is also being enhanced. Many critical questions were raised about the timing of the privatisation and logic behind divestment of profit-making entities. Both the minister and the secretary PC expressed the hope that within 4 to 6 months the economic situation would be improved while the equity market would rebound within this period. The minister said all economic indications are positive and improvement will be visible during the current financial year.

The secretary PC who spoke most of the time during the session said preparation for the possible transactions of these entities would take at six months. This would be enough time for the expected improvement in the economy to become manifest.

Replying to a question about high interest rates, Malik said this could be a question for domestic investors while the foreign investors have different interest rates. However, he expressed hope that interest rate would come down within this financial year. He also assured investors that shares of OGDCL and PPL will be sold once conditions in the capital markets improve. He said 7 to 10pc shares of these entities could be privatised; it may be 1pc or 2pc or a block of shares could be sold out and the buyer may get membership in the board.


** PRIVATISATION OF SOES TO HELP EASE GOVT’S BURDEN:**

SOOMRO

By  Our Correspondent  Published: September 14, 2019

KARACHI: Federal Minister and Privatisation Commission Chairman Muhammad Mian Soomro has said substantial financial burden on the government will be reduced through the sale of state-owned entities (SOEs).

“The government is focusing on privatisation under the directions of the prime minister and pursuant to the privatisation law to substantially minimise losses to the public exchequer,” said the federal minister while addressing stakeholders on the prospects of SOEs’ privatisation during a meeting on Friday.
The event was organised by the Privatisation Commission. The event was attended by a large number of prospective financial advisers, members of major financial institutions, banks, asset management companies, members of brokerage houses and others.

Soomro said improving economic conditions were conducive for privatisation, adding that the government’s privatisation programme would promote economic activities in the country and also provide new investment opportunities to the private sector.

He said the programme aimed at economic restoration and was an important part of the PM’s economic agenda. According to the decision of the Cabinet Committee on Privatisation (CCoP), the government started work on the privatisation of 17 national institutes. “Through privatisation, the national institutes running in losses will be provided better investment opportunities and with the introduction of advanced technology and corporate sector’s better abilities, poverty can be alleviated and tax revenue increased,” said Soomro. “The government is focused on making the Pakistan Steel Mills and other national institutes completely active and put Pakistan on the path of economic progress.”

Soomro said the privatisation process would be carried out in a transparent manner as per the privatisation regulations, the Public Procurement Regulatory Authority and other laws. “Fulfilling the requirements of these laws is mandatory,” he added.

Soomro said the privatisation process was based on many phases to ensure transparency and the government had decided to privatise 17 national institutes and work on seven of them had already begun.

The Ministry of Privatisation, on the instructions of the PM and after the CCoP’s approval, started privatisation of lands and properties of 32 government institutes.

He said the ministry had decided to privatise seven entities in the beginning 2019, including two RLNGs plants (2,600 MW).

“Relevant work has been completed and bidding will be done by the end of the current year,” said the minister. Soomro urged the corporate and financial sectors to support the government in its privatisation programme and ensure its success and help Pakistan prosper economically.

Soomro said the PSM was not being privatized, instead “focus is on restoring it”.

“The State Life Insurance Corporation is an important institute and its profit and market share are declining which is a cause for concern,” said Soomro. “Providing the private sector shares of the State Life will improve its performance.”

Privatisation Commission Secretary Rizwan Malik said the transaction structure of the 1,223 MW Balloki power plant and the 1,230 MW of Haveli Bahadur Shah power plant will be completed within 15 days.

He said the due diligence for the sale of the SME Bank had been completed while that of Services International Hotel, Lahore was under way.

The government had included 10 institutes in the privatisation list, he said, adding that they were Guddu power plant, Nandipur power plant, First Women Bank, House Building Finance Corporation, Pakistan Reinsurance
Corporation, Oil and Gas Development Company, Pakistan Petroleum Limited, Heavy Electrical Complex, Pakistan Engineering Company and Sindh Engineering Company.

By including these institutes, a total of 17 institutes had been included in the list. “The capabilities of the Privatisation Commission are also being improved,” he added.


**NEWS COVERAGE PERIOD FROM SEP 16th TO 22nd, 2019**

**TWO OPTIONS PROPOSED FOR LNG PLANTS' PRIVATISATION**

By Shahbaz Rana Published: September 18, 2019

ISLAMABAD: The Privatisation Commission (PC) board has put the government’s decision-making powers to test as it has recommended two options for the privatisation of billions of dollars worth of LNG-fired power plants, which revolve around the theme of “show patience and get the best price”.

The board once again came to the conclusion that State Life Insurance Corporation (SLIC) could not be offered to the private sector until its law was amended. SLIC was also on the board’s agenda, which met on Tuesday under the chairmanship of Privatisation Secretary Rizwan Malik.

On the issue of LNG power plants’ privatisation, the board recommended options to sell the Haveli Bahadur Shah and Balloki power plants as one unit under the existing legal structure or split the parent company and sell these plants separately.

Now, the Cabinet Committee on Privatisation will take the final decision whether to go for the privatisation of the power plants as a single entity or demerge the company to get a good price.

Adviser to Prime Minister on Finance Dr Abdul Hafeez Shaikh said on Sunday that the privatisation of LNG power plants was critical to get Rs300 billion in non-tax revenues aimed at achieving the overall Rs1 trillion non-tax collection target for the current fiscal year.

The board picked two out of the three options that a consortium of financial advisers submitted for finalising the transaction structure for the privatisation of the National Power Parks Management Company Limited (NPPMCL).

In case the government decided to privatise the two power plants under the existing legal structure, it would be able to quickly conclude the transaction but that would reduce the bid price, sources in the privatisation ministry told The Express Tribune after the meeting.

In the case of a split, the process will be long but the government will get a good price, according to an assessment of the consortium of financial advisers.

The Pakistan Tehreek-e-Insaf (PTI) government decided to sell NPPMCL in the hope of earning Rs300 billion as non-tax revenue. The financial advisers were hired to suggest the transaction structure while keeping in mind the financial and legal parameters.

NPPMCL owns the two power plants located at Balloki and Haveli Bahadur Shah, having a combined power generation capacity of 2,453 megawatts.

The financial advisers have submitted comprehensive due diligence reports that cover technical, financial, tariff, regulatory and legal aspects of the company.

The consortium recommended three options which included selling both the plants as a combined entity, separating both plants and picking a hybrid option which runs two separate bidding processes for each plant and depending on if separate investors win separate plants, a demerger is executed. The board rejected the hybrid option.

The demerger of the company through a high court – a process that may take months before the plants were legally separated.

However, the consortium cautioned that in case the government decided to sell both the plants as a single entity, it would reduce the number of prospective bidders, which would also lead to a lower bidding price. Also, it will be difficult for buyers to get liquidity from local banks.
However, the interested parties have given preference to buying both the power plants as one entity, which will reduce competition. In the case of demerger, NPPMCL would cease to exist and Pakistan Development Fund Limited would incorporate the two separate companies to own these plants. However, this will offer better returns to the government due to the participation of more buyers and flexibility in the privatisation process, according to the PC officials. The PC board rejected the consortium’s preferred option of selling the plants under a hybrid option.

The consortium recommended that in order to get leverage in the privatisation process, the government should float a single Expression of Interest where investors would have the option to show interest in one or both plants. Post-qualification of investors, separate bidding processes will be undertaken for each power plant. It suggested that in case the highest bidder for both the plants was the same, the bidder would be offered to buy the combined entity, the NPPMCL. In case the highest bidder for both the plants is different, the demerger will become a “condition precedent”.

However, the board members were of the view that the hybrid option would take a longer time in case the highest bidders were two different parties.


PRIVATISATION OF BALLOKI, HAVELI POWER PLANTS
APPROVED

The Newspaper's Reporter September 19, 2019
ISLAMABAD: The Cabinet Committee on Privatisation (CCoP) approved on Wednesday a hybrid option for the privatisation of RLNG-based 1,223MW Balloki and 1,230MW Haveli Bahadur power plants being managed by the National Power Parks Management Company (NPPMCL).

Chairing the committee meeting, Finance Adviser Dr Abdul Hafeez Shaikh directed the Ministry of Privatisation to complete the bidding process by the end of December. Under the approved plan, if the highest bidder for both plants remains the same, the bidder would be offered to buy the combined entity and in case the highest bidder for both plants is different, the demerger would become a ‘Condition Precedent (CP)’ to ‘Transaction Closing’.

There would be a divestment of 100 per cent equity of stake of NPPMCL in respect of both power plants, the committee decided.

It also approved inclusion of State Life Insurance Company, Islamabad Electric Supply Company (Iesco) and part of Lahore Electric Supply Company in ‘active list’ of privatisation programme.

The meeting removed Telephone Industries of Pakistan (TIP) from the privatisation programme in view of the Ministry of Information Technology and Telecommunication’s plan to revive it through a joint venture. TIP having total area of 150,000 square meters was established in Haripur Hazara in 1952 to meet the requirements of telecommunication switching equipment.

It is producing a variety of other products like containers shells, single phase energy meters, fire alarm equipment and drop wire.

The CCoP was also briefed on 10 public sector entities (PSEs) approved for divestment in July, and the subsequent process and placement of advertisements for hiring of financial advisers for the selected PSEs.

These include 747MW Guddu Power Plant of the Central Power Generation Company Ltd-CGPL (Gen-co-II); 425MW Nandipur Power Plant of the Northern Power Generation Company Ltd –NPGCL (Genco-III); House Building Finance Corporation; Oil and Gas Development Company Ltd; Pakistan Petroleum Ltd; First Women Bank Ltd; Heavy Electrical Complex; Pakistan Engineering Com-p-any; Sindh Engineering Ltd; and Pakistan Re-Insurance Co Ltd.

The government is ‘energising’ the privatisation process to generate funds for domestic debt retirement. That includes the promotion of private-public partnership (PPP) for the revival of major bleeding strategic state-owned enterprises which it cannot run on its own.

Under the existing law, 90 per cent of the privatisation proceeds are to be spent on debt retirement and 10pc on poverty alleviation. Mounting debts are a major cause of the fast widening fiscal deficit and overall the government’s revenues are being outpaced by surging non-development spending.

Some 20 state units are proposed to be revamped or restructured on a fast track basis by the recently established Sarmaya Pakistan Limited (SPL), managed by an empowered technocracy. A fresh proposal to reconstitute the SPL board, and the names and details of organisations to be affiliated to it, is being prepared for the prime minister’s approval. The SPL board members were initially appointed by former finance minister Asad Umar.

Addressing bankers and corporate executives in Karachi recently, federal minister for privatisation Mohammad Mian Soomro said “we have a huge a burden of debt and the government wants to generate more funds through privatisation to lessen this burden.”

Advisor on finance Dr Abdul Hafeez Sheikh is confident that by December the government will succeed in raising Rs300 billion from the strategic sale of 100pc equity of two profitable Re-Gasified Liquid National Gas (RLNG) plants.

Regarding the PPP mode, the privatisation minister observed “some of the institutions (state-owned enterprises) require more capital injections to grow and the government is not in a position to invest, therefore some strategic partners are needed to support these institutions.” In such cases, the majority of shares will be retained by the public sector.

However, there is a bottleneck in opting for the PPP model. The Privatisation Ordinance 1973 has no such provisions. Pakistan Steel Mills (PSM) is one of the major units to be privatised through the PPP model. No progress has been made to resolve the PPP issue while it is stated that three or four international companies have shown interest in PSM. The good news is that a fresh approach is being adopted for the revival of PSM which has been non-operational for the past three years and without a management structure or board of directors for the last one year. Its accumulated losses continue to mount.

The newly appointed PSM Board Chairman Aamir Mumtaz, an American Pakistani, specialises in transformational initiatives for driving performance and value of enterprises. He will, however, face a challenging job given the old management practices and work culture in the organisation.

Maybe, the proposed public-private partnership, if it materialises, may serve as a catalyst in this regard. The problem of labour retrenchment would, however, be much reduced because of the bulk of PSM employees have retired though they have yet to be paid a significant amount of their retirement benefits.

So far innovation in the public sector in 141 countries surveyed, including Pakistan, has been broadly incremental and not radical or transformational one, according to a recent study carried out by the Association of Chartered Certified Accounts (ACCA).

In their responses to the survey, 4, 436 ACCA members stressed the need for the government to shift from the current domination of incremental innovation to more radical forms of innovation. That involves a difficult job of ensuring a stable environment as ‘bringing new ideas to life can be disruptive’, says the study.

To make the privatisation process transparent, the government has also decided to take all the relevant authorities and regulators on board. Interestingly, that would include the National Accountability Bureau. How private investors will respond to this is not known. Will their sources of funds for investment be scrutinised? The scrutiny of the proposals by all regulators and authorities considered relevant would be a time-consuming process. This may run counter to the government’s policy to reduce the cost and ease of doing business.
Privatization

The list of companies for privatisation with frequent additions and deletions remains in flux but for about 10 firms. On agenda is also the divestment of small lots of shares of two profitable companies which was opposed by investors at the stock exchange for being ill-timed. That will be carried out at an ‘appropriate’ time. There is some confusion whether their shares would be off-loaded at the stock exchange or sold to ‘strategic buyers’. Will small investors be excluded?

And in a not-so-conducive business environment, low government development spending is squeezing private sector activities, the economy taking a downturn and the appetite for both domestic and foreign private investment is very low. Privatisation is being revived again after having remained almost suspended over the past decade. But the government may still find some room for privatisation over time.

PM URGES SWIFT COMPLETION OF PRIVATISATION PROCESS

RIZWAN MALIK: NOVEMBER 16, 2019
ISLAMABAD. Prime Minister Imran Khan has directed the Ministry of Privatisation to conclude the privatization of identified institutions within the set timeline and has assured it of the provision of all resources to achieve the goal. Addressing a meeting held to review the progress on privatization of Friday, the prime minister directed all the ministries associated with the privatization process to extend maximum cooperation and contribution to the process.

He also called for keeping the Prime Minister’s Office updated on the progress on the privatization programme and removing all the bottlenecks on an immediate basis. He emphasized that it was among the government’s priorities to enhance non-tax revenues.

He said the objective of privatization was to save the national exchequer from future losses besides handing over poor performing institutions to capable hands to exploit their true potential.

The prime minister stressed that privatization would help improve the performance of state-owned enterprises which had been under-performing for the past many years. PM Imran pointed out that privatization would increase the government’s receipts, particularly the non-tax revenues, which would help it launch more public welfare projects in the educational and health sectors and provide amenities.

Privatisation Secretary Rizwan Malik presented a report on the progress on privatization of public entities. Briefing the prime minister, he said those state-owned enterprises were selected for sale which were either persistently causing a loss to the national exchequer or performing below par.

Moreover, the public properties, which had been lying unused or making no profit for years, had also been included in the sell-off list, he added.

The prime minister was apprised that preparations for the privatization of Haveli Bahadur Shah power plant, Balloki power plant, SME Bank, Services International Hotel Lahore and Jinnah Convention Centre were in final stages.

“International parties have expressed interest in purchasing the said entities,” he added. “Moreover, the privatization progress for the Guddu power plant, Nandipur power plant, First Women Band, Pakistan Petroleum and State Life Insurance Corporation has also been initiated.”

The secretary apprised the meeting about the sale of valuable properties held by different ministries and government departments.

RS 300 BILLION SELL-OFF PROCEEDS UNLIKELY TO BE REALIZED

By WASIM I QBAL & ZAHEER ABBASI on December 1, 2019
Federal government may not be able to achieve revised Rs 300 billion from privatization proceeds in the current fiscal year (2019-20) due to legal and administrative challenges and consequently the primary and fiscal deficit benchmarks agreed with the International Monetary Fund (IMF) may be compromised.
Sources said that there would be an increase of 0.7 percent in the budget deficit if projected Rs 300 billion on account of privatization proceeds are not realized in the current fiscal year.

An official said that privatization of two RLNG power plants-Haveli Bahadur Shah and Balloki power plants-under the existing legal structure may not be possible by the third quarter of the current fiscal year as it is binding on the two power plants to utilize 66 percent of LNG imported from Qatar on an annual basis which is relatively more expensive than other sources particularly spot purchases.

The federal government has been exploring various options to remove this condition but to no avail. The matter is with the Economic Coordination Committee (ECC) of the Cabinet for final decision.

Privatization of Discos is a herculean task given the administrative challenges – weak writ of the government, large territorial jurisdictions, national uniform tariff system as well as fear of litigation and protests by employees against privatization.

The privatization of two Gencos – Guddu Power Plant and Nandipur Power Plant- are facing issues relating to tariff adjustment. The National Accountability Bureau (NAB) is also probing alleged corruption in Nandipur Power Plant. The two Gencos are facing a combined loss of Rs 11 billion in current fiscal year after earning a profit of Rs 4 billion in 2018-19. Their electricity tariff on account of fuel adjustment is pending with the National Electric Power Regulatory Authority (Nepra). Four corruption related inquiries are pending against Nandipur Power Plant.

The government approved the privatization of the two Gencos in August 8, 2019 during the Cabinet Committee on Privatization but so far there has been no progress though officials are optimistic that at least one of the two Gencos would be privatized during the first half of 2020-21.

DECEMBER, 2019

NO PLANS TO PRIVATISE KWSB, SINDH ASSEMBLY TOLD

Hasan Mansoor Updated December 12, 2019

KARACHI: The Sindh Assembly was told on Wednesday that the provincial government had no intention to privatise the Karachi Water and Sewerage Board as it was against the policies of the ruling Pakistan Peoples Party.

“We are neither privatising the Water Board [KWSB] nor will we allow anyone to do this,” said Saleem Baloch, parliamentary secretary for local government, while responding to a calling-attention notice moved by Abdul Rasheed, the Muttahida Majlis-i-Amal’s sole member in the house.

“Pakistan Peoples Party is a staunch opponent to the idea of privatisation; how can we do something that we have always opposed so openly?” said Mr Baloch during the proceedings presided over by Speaker Siraj Durrani.

Mr Rasheed referred to certain media reports while presenting his calling-attention notice and sought explanation from the provincial government to shed light on the claims in those reports suggesting the Sindh government was considering privatisation of the KWSB.

“Such reports have augmented the concerns of the people of Karachi who are already receiving deficient supplies of water,” he said.

He said the KWSB’s privatisation would certainly create concerns in the people as they had endured the consequences of the privatisation of the erstwhile Karachi Electric Supply Corporation.

“How can we do something that we have always opposed so openly?”

The parliamentary secretary said the government, instead, had decided to introduce reforms in the structure of the KWSB to improve its performance that had not been satisfactory so far.

“Our aim is to improve the service delivery by the KWSB for which a detailed strategy has been chalked out,” said Mr Baloch.

Information Minister Saeed Ghani, who had been local government minister previously, echoed similar sentiments.

“Neither would we privatise the KWSB, nor have we made any such plans for it.”

He said certain elements had spread rumours that had perturbed the people as well as the staff at the KWSB.
Muttahida Qaumi Movement-Pakistan’s Ra’na Ansar withdrew her calling-attention notice as she expressed her satisfaction over the policy statement furnished by Mr Ghani a day earlier vis-à-vis the alleged ‘stoning to death’ incident of a 10-year-old girl in the mountains of Dadu.

She thanked the minister for offering a detailed statement in the house, adding that the government should make efforts to ensure children were protected in the province.

Responding to another notice given by the Grand Democratic Alliance’s Nusrat Sehar Abbasi, Culture Minister Sardar Shah, on behalf of the chief minister, said scrutiny of the teachers who had passed the NTS tests was going on before regularising their services.

He said those teachers had been recruited in the previous tenure of the PPP government after they passed the NTS test. He said the government had already regularised 1,680 teachers while those who passed Iqra test had also been regularised.

Ms Abbasi said the government had not regularised those teachers despite getting a law passed for their regularisation from the Sindh Assembly in 2015.

She criticised the provincial authorities for resorting to baton charge against the teachers who were peacefully protesting for the acceptance of their demands.

She said the Sindh government had double standard vis-à-vis regularisation of teachers as it had regularised those belonging to Karachi while the teachers from Hyderabad were being ignored.

Minister Shah said teachers had the responsibility of structuring a society and it was not befitting for them to violate the law. He added that the law enforcement agencies would act if anyone tried to create a law and order situation. He assured the house that the issue would be settled soon.

Pakistan Tehreek-i-Insaf’s Shahnawaz Jadoon informed the house about the dilapidated conditions of schools in his constituency — Keamari, Machhara Colony, Sultanabad and Salehabad.

“Schools in these areas lack furniture and other basic facilities. The school buildings are in poor condition.”

He claimed the condition of schools in Sindh was worse than the schools being run in the PTI-ruled Khyber Pakhtunkhwa.

Minister Shah challenged the PTI lawmaker’s claim, saying the latter’s party held sway over the KP and Punjab, and both provinces were “way behind” Sindh concerning indicators on education. He said more than 12.5 million children were out of school in Punjab alone.

“I request the opposition members to indicate such problems to our government instead of going for rhetoric and criticism for the sake of criticism.”

He said the government in Sindh was committed to its resolve to provide education to every child in the province irrespective of whether a school was located in the constituency of treasury or opposition members.

“It is our duty to improve our education system and we are here to act if you guide us about such improvements.”

The PTI’s Jamal Siddiqui claimed in his calling-attention notice that the Beaconhouse School was still taking advance fee from students, which was a violation of the Sindh Private Education Institutions (Regulation and Control) Rules, 2005 as well as contempt of the apex court’s orders.

Mr Shah said registration of a number of schools had been cancelled by the provincial government for the first time for being involved in such violations. He said the department would take action if a formal complaint was submitted to it.

Speaker Durrani said most such schools were being run as an industry and not as the place to impart education.


The performance audit report on car parking structure, Lines Area, Karachi, March 2015-16, was also laid.

Published in Dawn, December 12th, 2019