GOVERNMENT OF PAKISTAN
PRIVATISATION COMMISSION

ANNUAL REPORT
2017

IN THE NAME OF ALLAH
THE MOST BENEFICENT
THE MOST MERCIFUL

ACKNOWLEDGEMENT

Privatisation Commission acknowledges the valuable contribution of Additional Secretary, Officers, Consultants and Officials to the drafting of this Annual Report that comply with the provisions of the Privatisation Commission Ordinance, 2000.

DISCLAIMER

This report contains the Management Report in the meaning of the Section 27 of the Privatisation Commission Ordinance, 2000 (the Ordinance). The Financial Statements in the meaning of the Section 21 of the Ordinance read with the Privatisation Commission, Form and Manner of Budget and Accounts (Accounting Procedure) Rules 2007.

Some of the statements contained in this report that may or may not are historical facts are statements of future expectations and other forward-looking statements based on management's views of the period for which this report is prepared for and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those in such statements. These statements may be identified by words such as 'expect', 'should', 'could', 'shall' and similar expressions. Such forward-looking statements are subject to various risks and uncertainties.

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GLOSSARY

ABL	Allied Bank Limited
ADB	Asian Development Bank
APSEWAC	All Pakistan State Enterprises Workers Action Committee
BESOS	Benazir Employees Stock Option Scheme
BOI	Board of Investment
CCI	Council of Common Interests
CCOP	Cabinet Committee on Privatisation
CDC	Central Depository Company
CEO	Chief Executive Officer
CFA	Chartered Financial Analyst
CRF	Central Revolving Fund
DCF	Discounted Cash Flow
DFIs	Development Finance Institutions
DISCO	Power Distribution Company
DR	Depository Receipt
ECO	Economic Cooperation Organization
EMG	Employees Management Group
EOI	Expression of Interest
FA	Financial Advisor
FDI	Foreign Direct Investment
FESCO	Faisalabad Electricity Supply Company
FINCON	Financial Consulting Company
FPCCI	The Federation of Pakistan Chambers of Commerce & Industry
GDR	Global Depository Receipt
GENCO	Power Generation Company
GHS	Golden Hand Shake Scheme
GOP	Government of Pakistan
HBL	Habib Bank Limited
HEC	Heavy Electrical Complex
HNWI	High-Net-Worth Individual
IATA	International Air Transport Association
IBA	Institute of Business Administration
ICI	Imperial Chemical Industry
ICP	Investment Corporation of Pakistan
IESCO	Islamabad Electric Supply Company
IMF	International Monetary Fund
INSEAD	Institut Européen d'Administration des Affaires (European Institute of Business Administration)

IPO	Initial Public Offering
IT	Information Technology
KAPCO	Kot Addu Power Company
KASB	Khadim Ali Shah Bokhari
KESC	Karachi Electric Supply Corporation
LESCO	Lahore Electric Supply Company
LLM	Master of Law
LOA	Letter of Acceptance
LPG	Liquified Petroleum Gas
MCB	Muslim Commercial Bank
MBA	Master in Business Administration
MPA	Master in Public Administration
MPCL	Mari Petroleum Company Limited
MRTA	Management Right Transfer Agreement
NBP	National Bank of Pakistan
NDI	National Democratic Institute
NEPRA	National Electric Power Regulatory Authority
NGO	Non-Governmental Organization
NICL	National Insurance Company Limited
NITL	National Investment Trust Limited
NIRC	National Industrial Relations Commission
NPCC	National Power Construction Corporation
NPGCL	Northern Power Generation Company Limited
NPT	National Press Trust
NRL	National Refinery Limited
KP	Khyber Pakhtunkhwa
OGDCL	Oil and Gas Development Company Limited
OGRA	Oil and Gas Regulatory Authority
OIC	Organization of Islamic Conference
PARC	Pakistan Agricultural Research Council
P@SHA	Pakistan Software Houses Association for IT & ITES
PC	Privatisation Commission
PC Board	Privatisation Commission Board
PD	Privatisation Division
PIA	Pakistan International Airlines
PICIC	Pakistan Industrial Credit and Investment Company
PKR	Pakistani Rupee
PMDC	Pakistan Mineral Development Corporation
PML(N)	Pakistan Muslim League (Nawaz)

PMTF	Pakistan Machine Tool Factory
PO	Public Offering
PPL	Pakistan Petroleum Limited
PPP	Public Private Partnership
PSE	Public Sector Enterprises
PSMC	Pakistan Steel Mills Corporation
PSO	Pakistan State Oil
PTCL	Pakistan Telecommunications Company Limited
PTDC	Pakistan Tourism Development Corporation
Pvt.	Private
QIB	Qualified Institutional Buyer
R&D	Research and Development
RFP	Request for Proposals
RSOQ	Request for Statement of Qualifications
S&GAD	Services and General Administration Department
SBP	State Bank of Pakistan
SECP	Securities and Exchange Commission of Pakistan
SITE	Sindh Industrial Trading Estate
SME	Small and Medium Enterprises
SMEDA	Small and Medium Enterprises Development Authority
SNGPL	Sui Northern Gas Pipelines Limited
SOE	State Owned Enterprise
SOQ	Statement of Qualifications
SPA	Share Purchase Agreement
SPO	Secondary Public Offering
SPV	Special Purpose Vehicle
SSGC	Sui Southern Gas Company
UAE	United Arab Emirates
USA	United States of America
UNICEF	United Nations Children's Fund
USD / US$	US Dollar
UBL	United Bank Limited
VSS	Voluntary Separation Scheme
WAPDA	Water and Power Development Authority
WTO	World Trade Organization
ZTBL	Zarai Taraqiati Bank Limited

MISSION STATEMENT

Privatisation in an open,
fair and transparent process,
for the benefit of the people of Pakistan,
in the right way,
to the right people,
at the right time.

MESSAGE OF THE CHAIRMAN

Privatisation is an important economic reform policy tool for generating growth and to erase structural inefficiencies by removing false barriers and opening up the economy to competition. The Privatisation program is part of the economic and structural reforms agenda of the Government that along with deregulation and good governance seeks to enhance the growth and productivity of Pakistan's economy by harnessing the private sector as its engine of growth. It takes an integrated approach towards enhancing the private sector's role and goes beyond just a transfer of public assets to the private sector by identifying the linkages and role of regulation, good governance, market competition in fostering conditions that provide incentives for the private sector to invest in providing goods and services efficiently.

Privatisation is challenging given the complexity and breadth of the issues and touches all aspects of economic activity and economic policymaking. For the first time Pakistan has continuity in terms of policy and process and while the struggle against anti-privatisation forces continues, a more conducive enabling environment now exists. Our focus now is on consolidating and building upon the successful reform process and opening more avenues for investments in the country.

Privatisation Commission is also looking forward to making the privatisation process more participatory by encouraging the public to "own" the process through the capital market via Initial Public Offerings and Public Offerings. Along with enhancing a sense of ownership of the privatisation programme amongst the people, it broadens, deepens and strengthens the capital markets and introduces corporate governance to many public sector enterprises, thus accelerating the process of restructuring and preparing the units for strategic sales.

In view of the above, the current privatisation programme includes PSEs in the banking and finance, oil and gas, power, and other sectors. Moreover, the Government is also committed to privatizing all its power distribution and generation companies. Work for this purpose has been initiated and it wouldn't take much time when the distribution companies to be brought to the point of sale. Eventually a competitive market for power would be envisaged. In some areas, such as the national flagship airline, PIA and Pakistan Railways, the Government strategy is to turn around the companies before considering the privatisation option. Similarly, the privatisation of airports, seaports, insurance companies, and shipping have all been studied or proposed at some point.

In short the potential privatisation agenda is large. Successful implementation of the existing agenda is key to ensuring further progress in privatisation in order to strengthen public finances and enhance the quantity and quality of Pakistan's goods and services.

Daniyal Aziz
Chairman, Privatisation Commission

MESSAGE OF THE SECRETARY

The Government of Pakistan is committed to pursuing privatisation as a core element of its economic reform agenda. The privatisation programme aims to reduce Pakistan's fiscal burden, improve service delivery to the people of Pakistan, facilitate more competition in the economy, and strengthen Pakistan's capital markets.

Pakistan was one of the first countries in the region to initiate deregulation and liberalization of the economy, and start the privatisation process. Between 1991 and 2008, proceeds of PKR 476 billion were raised from 167 privatisation transactions. These included important privatisation successes in the industrial, telecom and financial sectors. The latter two sectors, in particular, have been major contributors to the National Exchequer since their privatisation.

The present government restarted the privatisation programme in 2013, after a gap of nearly six years. A “Program for Early Implementation” was approved by the Cabinet Committee on Privatisation on 03 October, 2013 listing 31 PSEs for privatisation, later extended to 42 PSEs, in due course.

The focus of the programme is to attract private capital investment, benefit from the private sector's skill-set and experience, and make it the engine of economic growth for Pakistan. In order to achieve this, the current program is modeled around the concept of Strategic Partnerships, wherein the management of PSEs is planned to be transferred to strategic investors along with a minimum of 26% equity stake. The program also includes divestments through capital markets to enhance the attractiveness and visibility of Pakistan as a favored investment destination.

During 2016-17,the privatisation process of various Power Sector Entities, Pakistan Steel Mills Corporation (PSMC), Mari Petroleum Company Limited (MPCL), SME Bank, etc. were initiated.

The success of the privatisation programme, however, is contingent upon the support of all the stakeholders, including the various government agencies, departments, organizations, regulatory authorities and, most importantly, the people of Pakistan.

I am confident that all stakeholders will play their positive role and contribute fully towards ensuring the success of the ongoing privatisation programme and the fulfilment of its objectives.

Irfan Ali
Secretary, Privatisation Commission

ORGANIZATIONAL STRUCTURE

PRIVATISATION COMMISSION

Introduction

On 22 January 1991, the Privatisation Commission (Commission) was established as a sub-branch of the Finance Division, to implement the privatisation programme of the Government.

Subsequently, on 28 September 2000, the Privatisation Commission Ordinance, 2000 (Ordinance) was promulgated and the Commission was converted into a body corporate, which further strengthened its legal authority for implementing the government's Privatisation Policy.

The Commission is entrusted with the task of privatizing federal government assets such as its shares in banks, industrial units, public utilities, oil, gas and transport companies, and infrastructure service providers in an open and transparent manner. To strengthen the private sector's role in the endowment of goods and services, the Ordinance has vested decision making powers to the Privatisation Commission Board, consisting of eminent professionals from the public and private sectors. The decisions taken by the PC Board are taken-up with the Cabinet Committee on Privatisation for consideration/ approval and the same are also ratified by the Cabinet.

Privatisation is an effective tool for the developing nations to achieve economic efficiency and accelerated growth. Privatisation as one of the pillars of the strategic economic reforms agenda of the government goes hand in hand with the broader policy direction of deregulation and liberalization of the economy. Its scope includes all public assets that can be transferred to or can be managed by the private sector. The only exception is strategic industry or industries which the private sector is unable or unwilling to own or manage. The PC aims to ensure transparency and fair privatisation transactions with maximum benefits to the government.

Functions of Privatisation Commission

The Commission is mandated to privatize the PSEs in line with the Government Policy of Privatisation. The CCoP accords approval to the list of potential PSEs to be privatised which is finally endorsed by the Federal Cabinet.

The Commission shall:

a) recommend privatisation policy guidelines to the Cabinet.

b) prepare a comprehensive privatisation programme for the approval of the Cabinet.

c) plan, manage, implement and control the privatisation programme approved by the Cabinet.

d) prepare and submit reports to the Cabinet on all aspects of the privatisation programme.

e) facilitate or initiate legislation as approved by the Cabinet by or on the behalf of the concerned Ministry in connection with the privatisation programme.

f) provide overall direction for the implementation of privatisation related activities including restructuring, deregulation and post-privatisation matters in sectors designated by the Cabinet.

g) take operational decisions on matters pertaining to privatisation, restructuring, deregulation, regulatory issues, including the approval of licensing and tariff rules and other related issues pertaining to the privatisation programme approved by the Cabinet.

h) issue directions and instructions to the management of a business undertaking falling within the purview of the privatisation programme approved by the Cabinet on all major important administrative, financial, reporting and policy matters.

i) publicize the activities of the privatisation programme.

j) propose a regulatory framework to the Cabinet including the establishment and strengthening of regulatory authorities for the independent and fair regulation of each industrial sector, falling within the purview of the privatisation programme.

k) advise the Federal Government in selection and appointment of the head and member of a regulatory authority.

l) advise the Federal Government that monopolies are not created in the process of privatisation.

m) appoint advisors, consultants, valuers, lawyers and such other staff, both local and foreign, on such terms as it may determine to discharge its functions under the PC Ordinance.

n) approve and take decisions and perform all acts to implement pre-privatisation restructuring, labor rehabilitation, severance schemes and all other related matters as approved by the Cabinet.

o) invite applications for the privatisation and ensure widest possible participation.

p) evaluate bids received according to the criteria determined by the Commission from time to time, and formulate recommendations for consideration of the Cabinet.

q) recommend for the Federal Government such labor and man-power rehabilitation programmes as may be necessary during privatisation and to develop a roster of such employees who may need rehabilitation.

r) advise measures to the Federal Government for improvement of public sector units until their privatisation.

s) assist in the implementation of Federal Government policies on deregulation and privatisation and advise the Federal Government on deregulating the economy to the maximum possible extent.

t) perform such other functions that are incidental or ancillary to carry out the privatisation programme approved by the Cabinet.

Composition and Structure of the Privatisation Commission

The Commission is a body corporate organization, managed by its Board, which is headed by a Chairman. The Secretary, Privatisation Commission is the ex-officio member of the PC Board and acts as Secretary of the Board.

Management Information

The Human Resource of the Commission comprises of Civil Servants, Consultants/ Transaction Mangers and other allied Staff.

The privatisation of major entities is a technical and complex activity requiring inputs from qualified and experienced professionals. The Commission appoints professionals, equipped with skills and experience in the relevant field(s) like business administration, economics, commerce, finance, accounting and law etc., designated as ‘Consultants’, to deal with the technical aspects of privatisation transactions. The privatisation transactions are processed by the transaction managers, whereas technical and legal support is provided by other consultants.

The specific tasks for in-house consultant/transaction manager include preparing the terms of reference for hiring external consultants/advisors, overseeing and assisting the external consultants to ensure timely submission of deliverables, assist in liaising with the relevant ministry/ regulator(s), management of the entity being privatised and advising on sectoral policies of regulatory frameworks related to the privatisation.

The officers regulate the activities of the Consultants/ Transactions Managers and provide administrative support and oversight relating to formulation / approval of privatisation matters from various stakeholders.

Details of Privatisation Commission's Human Resource

S. #	Designation	Scale	Sanctioned Strength
1	Chairman	-	1
2	Secretary	22	1
3	Director General	20 - 21	4
4	Director	19	4
5	Deputy Director	18	3
6	Public Relation Officer	17/18	1
7	Private Secretary	17/18	3
8	Accounts Officer	17/18	2
9	Superintendent	16/17	1
10	Sr. Technical Assistant	17	3
11	Technical Assistant	16	17
12	Accountant	16	1
13	Assistant Private Secretary	16	14
14	Senior Auditor	16	2
15	Assistant	15/16	11
16	Telex / Fax Operator	7/9	1
17	Telephone Operator	9	2
18	Upper Division Clerk	9	3
19	Record Sorter	7	1
20	Lower Division Clerk	7	13
21	Staff Car Driver	4/5	12
22	Dispatch Riders	4	3
23	Photo Machine Copier	4	2
24	Daftary	3	1
25	Qasid	2	2
26	Naib Qasid / Farash	1/2	28
27	Sweeper	1/2	6
Total:			**142**

Details of Contractual Employees

S. #	Designation	Grade	Current Strength
1	Advisor / Sr. Consultant	G-I	3
2	Consultant / Transaction Manager	G-II	2
3	Consultant / Transaction Associate	G-III	1
4	Technical Assistant	G-IV	5

BOARD OF PRIVATISATION COMMISSION

Section 6 of the Privatisation Commission Ordinance, 2000, provides that "the general management and administration of the Commission shall vest in its Board". Moreover, the Board shall consist of the Chairman, the Secretary and six other members, or such higher number as may be determined by the Federal Government.

Furthermore, the Chairman and the Secretary of the Commission, shall also be the Chairman and the Secretary of the Board.

Currently, the Board comprises of a Chairman and a Secretary and eleven Members. The Members represent all the provinces of Pakistan and are known professionals of various disciplines. Details of the members is as under:

S #	Name	Designation	Place of Domicile	Expertise
1.	Mr. Arsallah Khan Hoti	Member	Khyber-Pakhtunkhwa	Industrialist and marketing
2.	Mr. Ashfaq Yousuf Tola	Member	Sindh (Urban)	Chartered Accountant
3.	Mr. Aziz Nishtar	Member	Punjab	Corporate Lawyer
4.	Mr. Etrat Hussain Rizvi	Member	Khyber-Pakhtunkhwa	Corporate Management Specialist
5.	Mr. Khurram Schehzad	Member	Sindh (Urban)	Capital Market Specialist
6.	Engr. Memon Abdul Jabbar	Member	Sindh (Rural)	Industrialist
7.	Mr. Naseer Ahmad Akhtar	Member	Punjab	Information, Communication and Business development
8.	Mr. Shahid Shafiq	Member	Sindh (Urban)	Business Development
9.	Mr. Yawar Irfan Khan	Member	Punjab	Industrialist
10.	Mr. Zafar Iqbal Sobani	Member	Sindh (Urban)	Chartered Accountant
11.	Mr. Zafar Iqbal FCA	Member	Punjab	Chartered Accountant

PRIVATISATION RELATED FORUMs

The micro level activities of the Privatisation Commission are governed by its Board. Whereas, macro level discussions / directions are referred to the CCoP, which includes matters relating to privatisation policy, list of PSEs for privatisation, transaction structure, privatisation reference price and approval of bids etc.

Apart from CCoP, the Council of Common Interests (CCI), formulates and regulates policies in relation to matters in Part II of the Federal Legislative List and exercise supervision and control over related institutions. The public sector entities/ interests etc. contemplated for privatisation are brought before the CCI for its approval before submission of summary to the Cabinet.

Cabinet Committee on Privatisation (CCoP)

The CCoP was established along with the creation of the Commission in 1991. It has been functioning continuously, except for a brief period, from September 1998 to February 2000, when the Prime Minister headed the PC Board.

The mandate of the CCoP is to formulate rules for streamlining the functioning of the Privatisation Commission. It also serves as a forum for taking strategic decisions on privatisation and monitors the privatisation progress. All the major decisions taken regarding the privatisation process are placed for ratification of the Cabinet through this committee i.e. CCoP.

Initially, the CCoP was headed by the Minister for Finance, however during 21st September, 2004 to 14th November, 2008, the Prime Minister chaired the Committee himself. Thereafter, it is headed by Advisor to PM on Finance, Revenue, Economic Affairs and Statistics. Currently, it is being headed by the Prime Minister himself.

*Composition**

1	Prime Minister	Chairman
2	Minister for Commerce & Textile	Member
3	Minister for Industries & Production	Member
4	Minster for Law & Justice	Member
5	Minister for Ports & Shipping	Member
6	Minister for Privatisation	Member
7	Chairman, Privatisation Commission	Member

Apart from the above-mentioned Members, following can also be invited by Special Invitation.

1. Minister of State for Petroleum
2. Minister of State for Power
3. Governor, State Bank of Pakistan
4. Chairman, Security Exchange Commission of Pakistan
5. Chairman, Board of Investment
6. Secretary, Commerce Division
7. Secretary, Finance Division
8. Secretary, Industries and Production Division
9. Secretary, Petroleum Division

10 Secretary, Planning and Development Division
11 Secretary, Ports and Shipping Division
12 Secretary, Power Division
13 Secretary, Privatisation Division
14 Secretary, Textile Industry Division
15 Secretary, Water Resources Division
16 Secretary, Board of Investment

**Issued by Cabinet Division vide notification No 5/6/2017-com dated 10.08.2017*

Terms of Reference

a) To formulate the Privatisation Policy for approval of the Government / Cabinet.
b) To approve the PSEs to be privatised on the recommendation of the PC or otherwise.
c) To take policy decisions on inter-ministerial issues relating to the privatisation process.
d) To review and monitor the progress of privatisation.
e) To direct the PC to submit reports/information/data relating to the privatisation process or any matter relating thereto.
f) To take policy decisions on matters pertaining to privatisation, restructuring, deregulation, regulatory bodies and the Privatisation Fund Account.
g) To approve the reference price in respect of the PSEs being privatised.
h) To approve the successful bidders.
i) To consider and approve the recommendations of the PC on any matter.
j) To assign any other task relating to privatisation to the PC.

** Issued by Cabinet Division vide notification No 5/4/2007-com dated 27.03.2009*

COUNCIL OF COMMON INTERESTS (CCI)

The Constitution of Islamic Republic of Pakistan, 1973 (Constitution) provides for a CCI comprising the Chief Ministers of the Provinces and an equal number of members from the Federal Government. The CCI is headed by the Prime Minister of Pakistan and is exclusively responsible to the Parliament.

The CCI formulates and regulates policies in relation to matters in Part II of the Federal Legislative List and exercise supervision and control over related institutions.

Decisions of the Council are expressed in terms of opinion of the majority. The public sector entities/ interests etc. contemplated for privatisation are brought before the CCI for its approval before submission of summary to the Cabinet.

Composition

1	The Prime Minster	**Chairman**
2	The Chief Minster, Baluchistan	Member
3	The Chief Minster, Khyber-Pakhtunkhwa	Member
4	The Chief Minster, Punjab	Member
5	The Chief Minster, Sindh	Member
6	Minister for Interior	Member
7	Minister for Inter Provincial Coordination	Member
8	Minister for Industries & Production	Member

**Issued vide notification No 1(2)/2010-CCI, dated 18.08.2017 and 11.11.2017, respectively*

Terms of Reference

Pursuant to the 18thAmendment in the Constitution, Part II of the Legislative List stipulates that the cases relating to formulation and regulation of policies in relation to the following matters and supervision and control over the related institutions shall be submitted to the CCI:

1. Railways;

2. Mineral oil and natural gas, liquids and substances declared by Federal law to be dangerously inflammable;

3. Development of industries, where development under Federal control is declared by Federal law to be expedient in the public interest; institutions, establishments, bodies and corporations administered or managed by the Federal Government immediately before the commencing day, including Water and Power Development Authority and Pakistan Industrial Development Corporation and all undertakings, projects and schemes of such institutions, establishments, bodies and corporations; industries, projects and undertakings owned wholly or partially by the Federation or by a corporation set up by the Federation;

4. Electricity;

5. Major ports, that is to say, the declaration and delimitation of such ports, and the constitution and powers of port authorities therein;

6. All regulatory authorities established under a Federal law;

7. National planning and national economic coordination including planning and coordination of

scientific and technological research;

8. Supervision and management of public debt;

9. Census;

10. Extension of the powers and jurisdiction of members of a police force belonging to any Province to any area in another Province, but not so as to enable the police of one Province to exercise powers and jurisdiction in another Province without the consent of the Government of that Province; extension of the powers and jurisdiction of members of a police force belonging to any Province to railway areas outside that Province;

11. Legal, medical and other professions;

12. Standards in institutions for higher education and research, scientific and technical institutions;

13. Inter-provincial matters and co-ordination;

14. Council of Common Interests;

15. Fees in respect of any of the matters specified in Part-II of the Federal Legislative List but not including fees taken in any court;

16. Offenses against laws with respect to any of matters in Part-II of the Federal Legislative List;

17. Inquiries and statistics for the purposes of any of the matters in Part-II of the Federal Legislative List;

18. Matters incidental or ancillary to any matter enumerated in Part-II of the Federal Legislative List;

Approval of Privatisation Program by CCI

The CCI in 1997 and 2006 approved a broad-based privatisation programme including PSEs in various sectors like Banking and Finance, Oil and Gas, Power, Infrastructure, Transport, Industries and Production etc.

Moreover, after the 18thAmendment to the Constitution, the PC also sought approval of the CCI for the privatisation of all power generation companies (GENCOs) and power distribution companies (DISCOs) in 2014.

OPERATIONAL METHODOLOGY

Privatisation of a Public Sector Entity is a challenging task, which cannot be implemented in a self-governing manner, as it requires widespread due-diligence, including but not limited to legal, financial, human resource etc. aspects of the concerned business, to be privatised and due collaboration from all the relevant stakeholders.

In order to exercise the same, a privatisation policy is in vogue, since 1994 and on the basis of international and domestic experiences, a privatisation process has been developed. The same are reviewed from time-to-time, in order to make it comparable with best practices of the regional and international trends and best practices.

PRIVATISATION POLICY (1994)

With the passage of time, the privatisation process in Pakistan gradually moved from simple to complex sectors. During this whole period, the privatisation policy has been continuously reviewed and amended/ updated in order to ensure a transparent and competitive privatisation process. It is, undoubtedly, the result of the Privatisation Policy of the country that Pakistan has witnessed an era of efficient and effective privatisation. Salient features of the policy areas under:

⇨ Privatisation, aims to deregulate and liberalize the economy. In this regard its scope is large – including all public assets that can be transferred to or managed by the private sector, both domestic and foreign. Furthermore, it is a comprehensive policy that recognizes the need for extensive regulation, broad-based legislative support and careful planning. This is at variance from the hasty sale of industrial assets – large and small – as part of a populist, not economic, programme.

⇨ The Programme of privatisation should be flexible and not unduly rigid. It would be organized in such a manner that adjustments are made and necessary changes accommodated, in order to ensure successful conclusion of divestiture transactions of public enterprises.

⇨ The privatization policy is an important feature of the economic liberalization agenda that will lead to effective management of domestic industry, greater domestic investment and economic growth.

⇨ Unfortunately, in the recent past many sales were substantially financed by the nationalized banks and other development finance institutions either as funded or unfunded facilities. This procedure did not generate additional resources for the state. It would be Government's endeavor to use the privatisation process to mobilize savings both domestic and foreign.

⇨ Whereas the privatization process to date has given limited apparent benefit to the general public, Government plans to improve efficiency and to provide better services at the most economic price to the consumer.

⇨ The programme is designed to enable the state to liberate itself from micro management of individual enterprises and to reduce the need for persistent budgetary support to the public enterprises resulting from their continuing losses.

⇨ The policy envisages the creation of a mechanism for the reduction of debt so that our children inherit an industrialized, not a bankrupt, nation.

⇨ The aim will also be to generate funds from overseas Pakistanis and foreign investors by inducing them to invest in public enterprises proposed to be divested. An important aim of the privatization process is thus the generation of hard currency transfers that provide balance of payments relief, improve forex reserves and to retire our foreign debt.

- ⇨ During the process of privatisation, the government will also attempt to ensure that significant improvements are brought about both in operational efficiency of the enterprises and their programmes for expansion and creation of additional capacities, especially in the case of utilities. So that they can keep up with the growing demand, improve the quality of service, and keep pace with developing technologies.

- ⇨ An effort will be made to harness the resources of domestic private sector, foreign entrepreneurs as well as international financial intermediaries to support the privatisation process. Attempt will also be made to draw upon the experience, expertise and financial support of the multilateral agencies.

- ⇨ Safeguards will also be introduced to achieve broad based ownership and to prevent the concentration of resources in a few hands, while promoting privatisation through competitive bidding.

- ⇨ Genuine interests of the employees working in entities proposed to be privatized would be adequately safeguarded.

- ⇨ Steps will be taken to ensure that the interests of consumers are protected especially in respect of fair price and quality of product. Monopolistic trends would be curbed during the process of privatisation and suitable regulatory measures would be devised.

Additional Mode of Privatisation Policy (Public-Private-Partnership)

The global as well as national conditions made the Commission to review its privatisation policy of strategic sales (51% - 100% shares) in order to re-model it around the Public Private Partnership (PPP) concept, wherein management may be transferred to investors through the sale of 26% shares while ensuring transparency and safeguarding interests through comprehensive documentation. The PPP mode was approved by the Cabinet Committee on Privatisation in February, 2009 and later ratified by the Cabinet in January, 2010.

The main objective of the PPP model is to put national resources and assets to optimal use, particularly to unleash the productive potential inherent in Pakistan's PSEs. The policy aims at enhancing the value of government shareholding, maximization of profits, modernization and up-gradation of PSE's exploration and creation of new assets; management and technological transfer; increasing investments in the PSEs by identifying business benchmarks and outputs; remedial measures, and generation of employment. The Government also aims to ensure that divestment does not result in the alienation of national assets and a reduction in the quality of production and services detrimental to its people.

Salient Features of PPP mode of Privatisation:

a) As a Policy, Privatisation will be conducted with the Public Private Partnership (PPP) mode for 26% of the equity stake. The manner, methodology and mechanism of PPP structure will be framed after consultative process and due approval of the Board of the Privatisation Commission (PC) and the CCOP.

b) In cases where due process and investor feedback determines that the 26% PPP structure is not a practicable option, the Privatisation Commission will revert back to the CCOP with alternate structures and guidelines.

c) A stringent pre-qualification structure will be put in place that will include a contractually binding Business Plan and provisions with regard to management, default, termination, penalties and dispute resolution.

d) The Transactions would be structured to ensure that management control is transferred to the Investor. It will be guaranteed through adequate safeguards/ agreements that the arrangement cannot be reversed. Agreements will also include exit options for GoP, remedies to GoP in case of right of first refusal, transfer restrictions and lock in period for the strategic investors.

e) The Government would be appropriately represented on the Board of Directors of the Privatised Entities.

f) Post privatisation performance of the Entities and market conditions will determine the timing and extent of future divestment of residual shareholding of the Government. Where found viable, an entity will be listed before undertaking the Privatisation with PPP mode.

g) At the Federal level, the Privatisation Commission will have exclusivity to undertake Brown-field PPP transactions as envisaged in the PC Ordinance 2000. Any other Ministry / Department of the Federal Government will route its PPP transactions through the Privatisation Commission for implementation.

h) Twelve percent (12%) share will be reserved for workers in the Privatised Entities. The new Policy envisages workers share also in entities that are still in the public sector.

PRIVATISATION PROCESS

The privatisation process, which is aimed at selling PSEs in an open and transparent way with a view to obtain the best possible price, varies somewhat depending on the nature of the entity being privatised, on the proportion of shares being offered for privatisation, and on whether a transfer of management is involved. The PC Board and the CCoP decides one of the modes [1] to be followed: -

a) sale of assets and business;

b) sale of shares through public auction or tender;

c) public offering of shares through a stock exchange;

d) management or employee buyouts by management or employees of a SOE

e) lease, management or concession contracts;

f) any other method as may be prescribed.

  i) public offering of shares other than through a stock exchange;

  ii) sale of shares, assets, business and property to a person that has a pre-emptive right to acquire the same (or any part thereof) subject to fulfillment of conditions attached to such rights.

  iii) Negotiated sale

  iv) transfer of Property to a trust for the employees of an enterprise owned or controlled, wholly or partially, directly or indirectly, by the Federal Government on such terms and conditions as may be approved by the Federal Government

  v) transfer of shares on conversion of exchangeable bonds or any other hybrid debt equity instrument issued by the President, on behalf of the Islamic Republic of Pakistan, provided that the concerned Divisions of the Federal Government under the Rules of Business, 1973 are consulted, where required

The Privatisation Process generally comprises of the following steps:

Strategic Sales	Capital Market Transaction
1) Identification of PSE to be privatised 2) Approval of the CCI, where required 3) Approval of CCoP 4) Hiring of Financial Advisor (FA) or Valuator 5) Due diligence by FA and PC 6) Finalization of Transaction Structure 7) Invitation of Expressions of Interest 8) Submission of Statement of Qualifications 9) Pre-qualification of firms 10) Due diligence by potential buyers 11) Sharing of Bid Documents / Instructions with pre-qualified bidders 12) Pre-Bid Conference 13) Approval of Valuation (Reference Price) by PC Board & CCOP 14) Bidding process (media invited to observe bidding) 15) Approval of bidding results by PC Board and CCOP	1) Identification of PSE to be privatised 2) Approval of the CCI, where required 3) Approval of CCoP 4) Hiring of Financial Advisor (FA) 5) Due diligence by FA and PC 6) Finalization of Transaction Structure 7) Fulfilment of regulatory requirements, where required 8) Preparation of Prospectus and other marketing material 9) Approval of Floor Price and marketing roadshows 10) Book Building and approval of Strike (Final) Price & allocation 11) Settlement and Financial Closure

16) Issuance of Letter of Intent to successful bidder 17) Execution of Sale Agreement and Receipt of Proceeds	

[1] Section 25 of the PC Ordinance 2000 and Privatisation (Modes and Procedures) Rules 2001

DESCRIPTION

A brief description of the steps shared in all transactions is provided below:

- **Identification**

The first step is the identification of the entity or list of entities to be privatised. In a typical transaction, the Privatisation Commission, in consultation with the relevant ministry, submits a Summary of the proposed transaction to its Board.

The Summary

- justifies the need for privatizing the property,
- outlines the likely mode of privatisation, and
- sometimes seeks guidance on issues relating to such matters as:
    - pricing,
    - restructuring,
    - legal considerations, and
    - the regulatory framework.

Once endorsed by the Board, it is submitted to the Council of Common Interests (CCI), where required and/ or the Cabinet or its subcommittee (i.e. the Cabinet Committee on Privatisation), for approval.

- **Hiring of a Financial Advisor or Valuator**

In major transactions, the process to hire a financial advisor is carried out by the transaction manager with the approval of the Board. Then,

- ✓ The terms of reference for the FA are finalized,
- ✓ expressions of interest from prospective FAs are solicited,
- ✓ an evaluation team is constituted, and
- ✓ short listed firms are invited to submit technical and financial proposals in a common format.

The evaluation team scores the technical proposals and the highest ranked firm based on both technical and financial scores is invited for contract negotiations and signing, as per provisions of the Privatisation Commission (Hiring of Financial Advisors) Regulations, 2007.

In other transactions, a Valuator is hired according to the Hiring of Valuators Regulation 2001.

- **Due Diligence**

The next step is to carry out the legal, technical, and financial due diligence. This is aimed at:

- ❖ Identifying any legal encumbrances,
- ❖ evaluating the condition of the assets, and
- ❖ Examining the accounts of the company in order to place a value on the company.

The Financial Advisors conducts due diligence of the entity being privatised. Thereafter, the FA proposed the appropriate privatisation plan. This may include recommendations on any needed restructuring, in addition to specifying the number of shares or assets to be privatised. For major privatizations or when the proposed privatisation mode is different from the initial plan, the plan is then submitted to the Board, the CCOP, or the full Cabinet for approval.

- **Enacting any Needed Regulatory and Sectoral Reforms**

For many major transactions, the ability to privatise and the amount of proceeds realizable depend critically on the level of regulated prices for the public enterprise's inputs or outputs and other sectoral or regulatory policies. For many monopolies or quasi-monopolies, the "rules of the game" specifying the competition framework post-privatisation, the manner and type of regulation, and the institutions regulating them are key to investor interest.

In addition to rules determining prices or tariffs, there may be rules determining standards, penalties for non-compliance, the extent, form and timing of any proposed deregulation, and the evolving structure of the market following liberalization. Clarification of these rules and passage of needed laws and regulations will often be necessary before taking the transaction to market.

- **Pricing Mechanism**

In order to obtain an independent assessment of the value of the entity being privatised, the Commission relies primarily on external firms. The Financial Advisor, where there is one, carries out the valuation to obtain a "Reference Price" for the property. In case of Capital Market Transaction, the FA recommends 'Floor Price' for divestment of shares of a PSE, which is based on pricing benchmarks at various assumptions, regional precedents of discounts offered in similar transactions, past privatisation precedents of discounts offered, if any, recent trend of share price, if listed and comparison with its peers and outcome of road shows, especially investor feedback and indicative demand analysis at various price levels.

In other cases, the Commission contracts with an external valuation firm or accounting firm as specified in the rules on the valuation of property, which can be obtained from the PC website. The methods used for the valuation vary with the type of business and often more than one method is used in determining the value. These include the discounted cash flow method, asset valuation at book or market value, and stock market valuation. Despite using scientific methods, valuation remains more an art than a science. The true value is dependent on many difficult to quantify variables such as country risk, corporate psychology and strategy, and perceptions of future macroeconomic performance. Only the market can determine the true value. Therefore, it is important to focus on designing appropriate transaction structures, on advertising in relevant media, in choosing and implementing appropriate pre-qualification criteria for bidders, and in following an appropriate bidding process to obtain a fair price for the privatisation.

- **Bidding Process**

In case of Strategic Sale, Expressions of Interest (EOI) are invited by advertising in the relevant media. The Ordinance spells out advertising procedures. Depending on the kind of transaction, the EOI describes the broad qualifications that potential bidders must possess. Those submitting an EOI and meeting the broad qualifications are provided with the Request for Proposals (RFP) package containing the detailed pre-qualification criteria, instructions to bidders, draft sale agreement, and other relevant documents. Interested parties then submit a Statement of Qualifications (SOQ), which is evaluated to determine whether an interested party meets the requisite qualifications. Pre-qualified bidders are then given a specified period to conduct their own due diligence, following which they are invited to a pre-bid conference where their questions and concerns can be addressed. The meeting is useful in determining the bidding procedure to be followed (for example, open auction, sealed bids, or some combination) and could even determine the proportion of shares that the Government may want to offload. The bidding itself is done openly, with all bidders and media invited.

In case of Capital Market Transaction, the Bidding process is conducted through Book Building Exercise conducted at Stock Exchanges (domestic / international). The Bidders through offering circular (OFSD) submit their orders in multiple of shares, at the Floor Price or above, within a stipulated time frame.

- **Post-bid Matters**

Following bidding and identification of the highest bidder, the PC Board makes a recommendation to the CCoP as to whether or not to accept the bid. The reference price is a major determinant in the recommendation, although the Board may recommend the sale even if the offer price is below the reference price. Once the bid price and bidder are approved, the PC issues a letter of acceptance or a letter of intent to the successful bidder, indicating the terms and conditions of the sale. Following negotiations with the bidder, the PC then finalizes the sale purchase agreement, collects the sale proceeds, and transfers the PSE. Under PC's current policy, privatisation proceeds are required to be paid upfront rather than over time, as had been the case for many earlier transactions. Within 30 days of the sale, the PC is required to publish the summary details of the transaction in the official gazette.

In case of Capital Market Transaction, after completion of Book Building 'Strike Price' is determined on the basis of the 'Dutch Auction Method'. Under this Methodology, the strike price is determined by lowering the price to the extent that the total number of shares that the Issuer/ Offer or intends to issue or to divest through the Book Building process is subscribed at or above the 'Floor Price. The successful bidders are intimated about the strike price and the number of shares provisionally allotted to each of them. After receipt of full subscription money, the successful bidders are issued/ transferred shares as per provisions of Offer for Sale Document (OFSD).

Summary of the Process

In nutshell, the privatisation process is lengthy for major transactions, mainly to assure transparency in the process. After receiving CCoP approval for the privatisation, it typically takes about eighteen months to close a major strategic sales transaction, even when no major restructuring of the company is required. This includes about six or seven months to appoint a Financial Advisor and another three or four months for the Financial Advisor to complete its legal, technical and financial due diligence and to propose a privatisation strategy.

Following approval of the strategy, the marketing and bidding process may take five or six months (valuation efforts proceed in parallel), while it may take another two months after bidding to obtain approvals, finalize sale documents, and close the transaction. Additional delays in privatisation are often caused by waiting for the necessary regulatory framework and / or sectoral policies to be put in place and for any needed restructuring to occur.

PERFORMANCE AND ACHIEVEMENTS

One of the biggest achievements of the Commission has been the development of an effective and productive Privatisation Policy and its successful implementation. This has resulted in Pakistan's Privatisation Programme as the most successful programme in the whole of South Asia, Central Asia and the Middle East.

In less than three decades of its operation, the Commission has successfully managed to complete 172 privatisation transactions, while generating revenue of over PKR 649,309.60 million. Details of the same are as under:-

SECTOR	From 1991 to 2008		From Jul 2013 to Jun 2014		From Jul 2014 to Jun 2015		From Jul 2015 to December 2015		Grand Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Banking	7	41,023.00							7	41,023.00
Capital Market Transaction	22	133,124.00	2	53,566.00	2	116,805.00			26	303,495.00
Energy	14	51,756.00					1	2,517.40	15	54,273.40
Telecom	4	187,360.00							4	187,360.00
Automobile	7	1,102.00							7	1,102.00
Cement	17	16,176.00							17	16,176.00
Chemical / Fertilizer	24	41,924.00							24	41,924.00
Engineering	7	183.00							7	183.00
Ghee Mills	23	842.00							23	842.00
Rice / Roti Plants	23	326.00							23	326.00
Textile	4	371.00							4	371.00
Newspapers	5	270.00							5	270.00
Tourism	4	1,805.20							4	1,805.20
Others	6	159.00							6	159.00
Total	167	476,421.20	2	53,566.00	2	116,805.00	1	2,517.40	172	649,309.60

PRIVATISATION TRANSACTIONS COMPLETED DURING 2013-15

The elected government, since its inception, prioritized its economic reforms agenda to liberate states resources from running businesses, and to utilize the same for various development projects. Accordingly, the Cabinet Committee on Privatisation (CCoP) in October, 2013, approved a list of sixty-eight (68) PSEs for privatisation. Out of which thirty-one (31) PSEs were earmarked for Early Implementation Program. Later the list was extended to forty-two (42) units.

Accordingly, the Commission initiated its activities and five (05) privatisation transactions have been completed in Banking, Oil & Gas and Power Sector, fetching proceeds of PKR ~172.9 billion (including foreign exchange of USD ~ 1.124 billion).

CAPITAL MARKET TRANSACTIONS

Key Highlights of United Bank Limited (UBL) Transaction (June 2014)

- One of the largest capital market transaction in Pakistan raising over PKR 38 billion including foreign exchange of over USD 310 million for the GoP;
- Total demand of over PKR 63 billion (USD 632 million) generated at selling price of PKR 158 per shares i.e. demand of 394 million shares against the offer size of 242 million shares;
- Generated robust international demand of over USD 500 million (equivalent of PKR 50 billion) at the selling price of PKR 158 per share;
- Generated upbeat domestic demand of over PKR 12 billion at the selling price of PKR 158 per share;
- Over 30 international equity fund managers/qualified institutional buyers (QIB) participated and successfully allocated 81% of the total offer size of 242 million shares;
- Over 200 domestic, institutional and high net worth individuals (HNWI) participated and successfully allocated ~19% of the total offer size of ~ 242 million shares.

Key Highlights of Pakistan Petroleum Limited (PPL) Transaction (June 2014)

- **One of the largest ever domestic secondary public offering:** Government of Pakistan divested approximately 5% of the GOP shareholding in PPL raising PKR 15.3 billion or USD 155 million.
- **Largest ever offering via domestic book building mechanism:** PPL transaction was the largest domestic book building ever conducted in the history of the country.
- **First ever government offering through book building:** PPL's secondary public offering (SPO) was the first time the Government utilized the domestic book building mechanism to offer shares to the local investors. Historically, the government has used Global Depository Receipts (GDRs) for international transactions and public offers through balloting for local transactions. This is the most transparent and fair process.
- **First ever transaction where deal price was higher than market price:** The strike price was determined via the book building mechanism for PPL, which was PKR 219 per share. The same was at a premium of 7% to the roof price and also at a premium of 2.4% to the 25 June, 2014 closing price (Floor Price was set on 25 June, 2014) and 0.5%premium to the last day (27 June, 2014)

closing price (PKR 217.94).This was the first instance in the history of Pakistan's capital markets where the strike price was higher than the market price.

- **Excessive Demand:** Domestic and foreign investors gave the thumbs up to both PC and PPL by aggressively oversubscribing the offer by 2.04 times. Participation of domestic investors in PPL was significantly higher than the recently conducted offering of UBL, which signifies the trust domestic investors have in the capital markets and the future progress of the country. Bids in excess of PKR 30billion were received, surpassing the cumulative demand for all the domestic capital market transactions concluded in the last 2 to 3years.

Key Highlights of Allied Bank Limited (ABL) Transaction (December 2014)

- Generated proceeds of PKR. 14.4 billion, including $20 million in FX
- Generated a total demand of over PKR 21 billion
- Demand from foreign investors exceeded USD 30 million
- Oversubscribed by 1.4 times i.e. generated a demand of ~185 million shares against the offer size of ~131 million shares
- Strike Price at ~2.5% discount, to the closing price on that day beating the Asia Region discount benchmarks for precedent transactions
- Over 325 domestic and international investors participated areas including Peshawar, Multan, Faisalabad, Rawalpindi in addition to the conventional three cities of Islamabad, Lahore and Karachi
- Upbeat demand/allocation from individual investors i.e. ~40% due to lowering minimum bid size from PKR 1 million to PKR 500,000.
- ABL transaction given ‘Deal of the year – highly commended’ award for Pakistan in 2015 by The Asset.

Key Highlights of Habib Bank Limited (HBL) Transaction (April 2015)

- Generated proceeds of PKR.102 billion, including USD 764 million in FX
- Largest ever equity offering in Pakistan and any Asian Frontier Market
- HBL transaction given ‘Best secondary placement / best privatization in the region’ award in 2015 by The Asset
- HBL transaction given ‘Deal of the year’ award for Pakistan in 2015 by The Asset
- Generated demand of USD ~1.6Billion (Over Rs 162 Billion) including:
- Unprecedented foreign participation of USD 1.2 Billion with over 40global equity participating with total demand of over 725 Million shares
- Record domestic demand of over PKR 42 Billion with over 480 investors participating, generating demand of over 253 Million shares
- To maximize participation from investors in Pakistan, the bid size was reduced to PKR 500,000/- from defined minimum bid size of PKR 1,000,000/-
- Base Offer oversubscribed by 3.91x at a Floor Price of PKR 166 per share

- Total Offer oversubscribed by 1.61x at a Floor Price of PKR 166 per share
- Generated gross proceeds of USD ~1.005 Billion (PKR ~102 Billion) including, Foreign Exchange inflow of over USD 764 Million
- The multilateral development banks and institutions contributed 12.3% of the Aggregate Demand and ~19.5% of the Total Offer was successfully allocated to them
- Over 40 International Investors contributed ~61.7% of the Aggregate Demand whereby ~56.5% of the Total Offer was successfully allocated to such International Investors
- Over 400 domestic institutional and High Net Worth Individuals (HNWIs) participated and contributed ~26.1% of the Aggregate Demand whereby ~24.0% of the Total Offer was successfully allocated on a pro rata basis to such Investors

STRATEGIC SALES

National Power Construction Corporation (NPCC) (September, 2015)

National Power Construction Corporation Limited (NPCC) was established in 1974 by the GoP, under the Federal Ministry of Water and Power, with the special objective of executing power engineering projects speedily and economically, not only at home but also in other friendly countries. NPCC is fully equipped to undertake speedy execution of Power Projects on turn-key basis, i.e. extra high voltage transmission lines, cable networks, substations, industrial electrification, external lighting of housing complexes, etc., and has demonstrated proven capability during more than three decades in its field.

The PC Board, in its meeting held on December 09, 2014, approved the appointment of Financial Advisor (FA) consortium led by M/s MCB Bank Ltd. & M/s United Bank Limited along with KPMG Pakistan (Accounting & Tax Consultant), HaidermotaBNR & Co. (Legal Consultant) for privatisation of NPCC.

The CCoP, in its meeting held on February 13, 2015, approved the strategic sale of minimum 88% shares in NPCC owned by the GoP.

After running the entire process according to the Ordinance, finally the following three investors, who submitted the Earnest Money and satisfied the bidding requirements set forth in the Instruction to Bidders (ITB), were deemed eligible to participate in the bidding process (Qualified Potential Purchasers):

i. Consortium of M/s Habib Rafiq (Pvt.) Ltd. and M/s Frontier Works Organization. The consortium elected to acquire the shares through a Special Purpose Company, M/s Barq Power and Infrastructure Developers (Pvt.) Ltd, majority owned by M/s Habib Rafiq (Private) Ltd., Pakistan

ii. Consortium of M/s Zahir Khan & Brothers and M/s Reliable Engineering Services (Pvt.) Ltd., Pakistan

iii. M/s Mansour Al Mosaid Company, Kingdom of Saudi Arabia.

The CCoP, in its meeting held on August 10, 2015, approved Reference Price of Rs 1,119/- per share for sale of 88% shares of GoP in NPCC (Value of 88% shares is PKR 1,969,440,000/-).

The bidding for the sale of shares of NPCC, representing 88% of the total issued NPCC shares, was held on Tuesday, August 11, 2015 at 1030 Hours at Serena Hotel, Islamabad, chaired by Chairman, PC. The entire process was conducted in accordance with the guidelines specified in the ITB, and in the presence of representatives of the bidders, various stakeholders, and electronic and print media.

The bidding results are summarized below:

Bidder's Name	Approved Reference Price per Share (Rs.)	Bids				
		For Shares		Price Per Share (Rs.)	% of Reference Price	Total Purchase [Price (Rs.)]
		%	Nos.			
M/s Mansour Al Mosaid Company, Kingdom of Saudi Arabia	**1,119/-**	**88**	**1,760,000**	**1,420/-**	**126.90**	**2,499,200,000/-**
Consortium of M/s Habib Rafiq Ltd and M/s Frontier Works Organization, Pakistan	-do-	88	1,760,000	925/-	82.66	1,628,000,000/-
Consortium of M/s Zahir Khan Brothers and M/s Reliable Engineering Services (Pvt) Ltd., Pakistan	-do-	88	1,760,000	344.50/-	30.79	606,320,000/-

As stated above, M/s Mansour Al Mosaid Company submitted the highest bid of Rs. 1,420/- per share, which is 26.9% higher than the CCOP approved Reference Price, and 49% higher than the break-up value, in aggregate amounting to Rs.2,499,200,000/- for 88% shares of NPCC. ***Moreover, an amount of Rs. 64,350,640/- relating to Golden Shake Hand / Voluntary Separation Scheme (GHS/VSS) was also paid by the buyer.***

The CCoP in its meeting held on August 11, 2015 accepted and approved the highest bid received from M/s Mansour Al Mosaid Company of the Kingdom of Saudi Arabia upon the recommendation of the PC Board in its meeting held on same date.

The GoP issued the LOA to M/s Mansour Al Mosaid Company on August 12, 2015. M/s Mansour Al Mosaid Company signed the Share Purchase Agreement on August 21, 2015 and made the final payment on September 18, 2015. The transaction was closed on December 01, 2015 with the transfer of 88% shares and management control to M/s Mansour Al Mosaid Company.

ACTIVITIES DURING 2016-17

The Privatisation Division (PD)/ Privatisation Commission (PC) is actively pursuing the privatisation of approved entities through prescribed modes. During 2016-17, following activities were undertaken:-

SME Bank Limited

SME Bank Limited (Bank) is a public limited company incorporated in Pakistan on October 30, 2001 under the Companies Ordinance, 1984. The Federal Government promulgated the Regional Development Finance Corporation ('RDFC') and Small Business Finance Corporation ('SBFC') Amalgamation and Conversion Ordinance, 2001 (the Ordinance 2001) setting forth the mechanism of amalgamation of defunct RDFC and SBFC. Pursuant to the amalgamation scheme, entire assets and liabilities of defunct RDFC and SBFC as at December 31, 2001 were transferred to the Bank at fair value.

The Bank obtained its business commencement certificate on April 16, 2005, which became effective from the date of its issue. The Bank is a Scheduled Commercial Bank engaged in the business of banking with the primary objective to support and develop Small and Medium Enterprise sector in Pakistan by providing necessary financial assistance and business support services on sustainable basis. The Bank is operating through a network of 13 Commercial banking branches.

GoP holds 93.88% shares in the SME Bank, whereas the rest are held by NBP, UBL, MCB, HBL, ABL and Industrial Development Bank Limited.

The CCI, in August 2006, approved the inclusion of SME Bank in the privatisation program. Subsequently, the CCoP in its meeting held in October 2013 approved the privatisation of 31 PSEs, as part of "Privatisation Program for Early Implementation", which inter alia included the SME Bank Limited. Subsequently, in April 2016, the Commission appointed consortium of M/s Elixir Securities Pakistan (Private) Limited, Bridge Factor (Private) Limited, KPMG Taseer Hadi & Co. and Mohsin Tayebaly & Co. as Financial Advisors for the SME Bank's privatisation.

The Financial Advisors completed the Due Diligence exercise on various aspects of SME Bank, including Financial/Accounting, Tax and Legal in June 2016. Subsequently, the CCoP in January 2017, approved the Transaction Structure for the privatisation of SME Bank Limited. On February 14, 2017, advertisement inviting expression of interest ('EOIs') for acquisition of 93.88% shares of SME Bank Limited was published in the local and national newspapers, wherein the last date for submission of the EOIs and Statement of Qualification ('SOQ') documents by the Interested Parties was March 17, 2017, which was later extended till April 07, 2017.

The Commission along with its Financial Advisors conducted the marketing roadshow in Islamabad in March 2017. In response to the EOI advertisement, fourteen (14) EOIs from Interested Parties were received by the last date, out of which five (05) Interested Parties submitted their SOQ documents for evaluation and assessment.

The pre-qualification of Interested Parties to participate in the bidding process was completed in November, 2017.

House Building Finance Company Limited

House Building Finance Corporation, a statutory corporation, came into existence in 1952 and remained as one of the pioneer special purpose Housing Finance Corporation. In June 2006, House Building Finance Company Limited (HBFCL) was incorporated as a wholly government owned unlisted public company under the Companies Ordinance, 1984, to meet the house financing needs of intended borrowers. Subsequently, vide a statutory notification, HBFCL took over the business and all assets and liabilities of House Building Finance Corporation.

Presently, HBFCL is the only Specialized Housing Financial Institution in the country, which is providing loans to low- and medium-income families for renovation, purchase and construction of new houses. The present organizational structure of HBFCL includes a head office at Karachi, 3 regional offices, 9 zonal offices, 50 branch offices with approximately 700 employees.

In January 2017, the CCoP approved to include HBFCL in the Privatisation Program for Early Implementation.

First Women Bank Limited

First Women Bank Limited (FWBL) was incorporated under the Companies Ordinance, 1984 in November 1989 as an unquoted public limited company and commenced operations in December 1989. FWBL is a unique intervention of GoP, established as a Scheduled Commercial Bank, to meet the special needs of women and to encourage and assist them in promotion and running of trade and industry and practice of profession. The Bank currently operates a network of 42 branches and 1 booth spread across 24 cities nationwide.

The Federal Government has injected Rs. 2 billion in the Bank as equity in the recent years, increasing its shareholding in the Bank to 80.16%, whereas the rest are held by MCB, HBL, ABL, NBP and UBL.

In January 2017, the CCoP approved to include FWBL in the Privatisation Program for Early Implementation.

Mari Petroleum Company Limited

Mari Petroleum Co Ltd (MPCL), listed PSE incorporated in December 4, 1984, is managed by Fauji Foundation (Fauji) pursuant to Participation and Shareholders Agreement (PSA) dated June 03, 1985. Fauji, GoP, and Oil and Gas Development Co. Ltd (OGDCL) hold 40%, 18.39%, and 20% respectively. Whereas, 20% of MPCL shares are held NIT, NBP, SLIC and general public and BESOS Employees Trust hold 1.61%.

Pursuant to the decision of the CCoP dated January 27, 2017, the Government of Pakistan (GoP) served the requisite Transfer Notice on January 31, 2017, to M/s Fauji Foundation (Fauji) and Oil & Gas Development Company Limited (OGDCL), the Joint Venture Partners of Government of Pakistan, in accordance with the provisions of the Participation and Shareholders Agreement, dated June 03, 1985, as amended (the ‘Shareholders Agreement’), and offered to acquire up to 18.39% of GoP shareholding in MPCL.

In response to the Transfer Notice, both the Fauji and OGDCL decided not to purchase the offered shares and consented to the divestment of Government of Pakistan’s share in MPCL through the Pakistan Stock Exchange (PSX), via a Secondary Public Offering (SPO).

In August, 2017, the PC Board, through circulation approved to initiate the process for appointment of Financial Advisor for the transaction. However, only a single firm showed interest.

Subsequently, the PC Board, in its meeting held on November 02, 2017, approved to re-advertise the EoIs for appointment of FA for Divestment of GoP Residual Shares in MPCL.

AWARNESS

Privatization Commission (PC) is working for the revival of economy and its mandate includes bringing awareness to public about the potential benefits of it. The process is all defined in law. There is always a possibility of strong public reaction in face of such decision on part of the government and this misconception could be dissipated through publicity and projection of the benefits of privatization. The media section of PC has been engaged in activities and fully exploits print, electronic and social media for the dissemination of information regarding privatization. It is a prime object of PC to generate public awareness in order to understand true benefits of it. Keeping in view the abovementioned, media section has had been engaged into projection and publicity of all crucial issues related to PC. The following is the detail:

Sr#	ACTIVITIES	YEAR:2016-17
1	Press releases	13
2	Clarifications	05
3	Exclusive interviews	06
4	Press briefings	10

Headlines Press Release & Coverage 2016-2017

Sr. #	Headlines/News Item	Date
1	Transparency our top priority	16.06.2016
2	Cabinet Committee on Privatisation (CCOP) Considers Divestment of PSM, Other Entities	15.07.2016
3	PC Extends Date for Submission of EOI & SOQ for Acquisition of 40.25 % Shares of KAPCO	16.09.2016
4	NAB hands over recovered amount from TIBL Scam to Privatisation Commission	29.09.2016
5	Op-ed by Chairman PC: Milestones of Privatisation	29.09.2016
6	Press Clarification	13.10.2016
7	PC vindicated by Supreme Court in HEC transaction	22.10.2016
8	PC's news clarification on media reports about PSM privatisation	16.12.2016
9	Press Release	27.12.2016
10	Finance Minister chairs meeting to review matters related to Privatisation	04.01.2017
11	PC Board gives NOD to 30 Years Lease Plan	17.01.2017
12	News Clarification against news item titled "Pakistan Steel, PIA, OGDCL to be privatised by June" published in Daily Dawn on 19th January 2017	19.01. 2017
13	Finance Minister, Senator Mohammad Ishaq Dar chaired meeting of the Cabinet Committee on Privatization (CCOP)	28.01.2017
15	NEWS ITEM 'PSM LIABILITIES: CCoP SEEKS MORE DETAILS	06.02.2017
16	PC is vindicated in HEC Transaction by winning all the court cases	18.02. 2017
17	News Clarification	21.02.2017
18	News Clarification	12.09.2017
19	Federal Minister, Mr. Daniyal Aziz chaired meeting of the Board of the Privatisation Commission	02.11.2017

COMPLAINT REDEEM MECHANISM

Establishment of Public Complaints Resolution Mechanism

The Public Complaints Resolution Mechanism has been established in the PD & PC under supervision of the Deputy Secretary (Admn), Privatisation Division for expeditious processing / resolution of the public complaints.

Moreover, the Complaint Management Information System (CMIS) has also been connected with the Wafaqi Mohtasib Secretariat (WMS) via www.privatisation.gov.pk & complaints.mohtasib.gov.pk, in order to facilitate by monitoring complaints by the WMS and their quick disposal by the relevant organization.

Pension Facilitation Cell

The Pension Cell has also been established in the Privatisation Division to facilitate the pensioners, for timely completion / finalization of pension cases, in compliance with the WMS's instructions.

FINANCIAL STATEMENTS
AND
AUDITORS REPORT

(Accounts and Report
will be uploaded / included
as and when available