ANNUAL REPORT 2016
PRIVATISATION COMMISSION

IN THE NAME OF ALLAH
THE MOST BENEFICENT
THE MOST MERCIFUL

ACKNOWLEDGEMENT

Privatisation Commission acknowledges the valuable contribution of 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
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
SOEs	State Owned Enterprises
SOQ	Statement of Qualifications
SPA	Share Purchase Agreement / 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

CHAIRMAN'S REVIEW

The Government of Pakistan (GOP) 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 (CCOP) on 03 October, 2013 listing 31 public sector enterprises (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 2015-16, Strategic Sale of National Power Construction Corporation (NPCC) was successfully completed, fetching proceeds of PKR 2,517 million. The buyer bid at Rs. 1,420/- per share, which was 26.9% higher than the 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, the privatisation process of various Power Sector Entities, Pakistan Steel Mills Corporation (PSMC), Heavy Electrical Complex (HEC), Mari Petroleum Company Limited (MPCL), SME Bank, etc. were initiated.

During the present government, overall, gross privatisation proceeds worth around PKR 170 billion have been raised, including around US$1.1 billion in FX. These include, proceeds raised from the Capital Market Offerings in UBL, PPL, ABL, HBL and aforementioned NPCC Sale.

The Privatisation Commission is vigorously pursuing the implementation of the remaining programme with work on over 10 PSEs being done concurrently.

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.

INSTITUTIONAL SETUP

PRIVATISATION COMMISSION

On 22 January 1991, the Privatisation Commission (PC) was established as a sub-branch of the Finance Division. On 28 September 2000, the Privatisation Commission Ordinance, 2000 was promulgated and the PC was converted into a body corporate, which further strengthened its legal authority for implementing the government's Privatisation Policy.

The PC 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 PC Ordinance has vested decision making powers to the Privatisation Commission Board (PC 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 (CCOP) 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 PC is mandated to privatize the public sector entities 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 Cabinet. The jurisdiction of the PC is set out below:

a) To recommend privatisation policy guidelines to the Cabinet.

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

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

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

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

g) To 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) To 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) To publicize the activities of the privatisation programme.

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

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

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

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

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

s) To 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) To 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 PC 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. The PC is the executing body of Privatisation Division, tasked to implement the government's privatisation policy.

Management Information

The Human Resource of the Commission comprises of Civil Service Officers, 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 PC 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 Regular Employees

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	18	2
9	Superintendent	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	14	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	4
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 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 thirteen Members. The Members represent all the provinces of Pakistan and are known professionals of various disciplines. Details of the same 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. Salman Burney	Member	Sindh (Urban)	Business Development
9.	Mr. Shahid Shafiq	Member	Sindh (Urban)	Business Development
10.	Mr. Yawar Irfan Khan	Member	Punjab	Industrialist
11.	Mr. Zafar Iqbal Sobani	Member	Sindh (Urban)	Chartered Accountant
12.	Mr. Zafar Iqbal FCA	Member	Punjab	Chartered Accountant
13.	Mr. Zaffar Ahmed Khan	Member	Sindh (Urban)	Management Specialist

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 Cabinet Committee on Privatisation (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 Interest (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 Cabinet Committee on Privatisation (CCOP) was established along with the Privatisation Commission in 1991. It has been functioning continuously, except for the 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 Minister for Finance, Revenue, Economic Affairs, Statistics and Privatisation.

Composition*

1	Minister for Finance, Economic Affairs, Revenue, Statistics and Privatisation	Chairman
2	Minister for Commerce and Textile Industry	Member
3	Minister for Industries and Production	Member
4	Minister for Law, Justice and Human Rights	Member
5	Minister for Planning and Development	Member
6	Minister for Petroleum and Natural Resources	Member
7	Minister for Ports and Shipping	Member
8	Minister for Privatisation (*when appointed*)	Member
9	Minister for Water and Power	Member

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

1 Governor, State Bank of Pakistan
2 Chairman, Privatisation Commission
3 Chairman, Security Exchange Commission of Pakistan
4 Chairman, Board of Investment
5 Secretary, Communications Division
6 Secretary, Finance Division
7 Secretary, Industries and Production
8 Secretary, Petroleum and Natural Resources Division
9 Secretary, Planning and Development Division
10 Secretary, Ports and Shipping Division
11 Secretary, Privatisation Division
12 Secretary, Textile Industry Division
13 Secretary, Water and Power Division
14 Secretary, Board of Investment

**Issued by Cabinet Division vide notification No 5/4/2013-com dated 20.06.2013*

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)

Article 153 of the Constitution of Islamic Republic of Pakistan provides for a Council of Common Interests (CCI) comprising the Chief Ministers of the Provinces and an equal number of members from the Federal Government. The Council of Common Interest is headed by the Prime Minister of Pakistan and is exclusively responsible to the Parliament.

The Council 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

• The Prime Minister	Chairman
• Chief Minister, Punjab	Member
• Chief Minister, Sindh	Member
• Chief Minister, Khyber Pakhtunkhwa	Member
• Chief Minister, Baluchistan	Member
• Pir Syed Sadaruddin Shah Rashadi (by name) *Minister for Overseas Pakistanis and Human Resource Development*	Member
• Lt. General (Rtd.) Abdul Qadir Baloch (by name) *Minister for States and Frontier Regions*	Member
• Sardar Muhammad Yousaf (by name) *Minister for Religious Affairs and Interfaith Harmony*	Member

**Issued by Cabinet Division vide notification No 2(50)/2013-CCI, dated 08.02.2014*

Terms of Reference

Pursuant to the 18th Amendment 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 14th August, 1973, including the Water and Power Development Authority ("WAPDA") and the Pakistan Industrial Development Corporation; all undertakings,

projects and schemes of such institutions, establishments, bodies and corporations; industries, projects and undertakings owned wholly or partially by the Federal Government or by a corporation set up by the Federation.

4. Electricity.
5. Major ports and the powers of the port authorities therein. All regulatory authorities established under Federal Law.
6. Fees in respect of any of the matters specified above but not including fees taken in any court.
7. Inter provincial matters and co-ordinations.
8. Legal, medical and other professions.
9. Standards in institutions for higher education and research, scientific and technical institutions.
10. Offenses against law with respect to any of the matters specified above.
11. Inquiries and statistics for the purposes of any of the matters specified above.
12. Matters incidental or ancillary to any of the matters specified above. Complaints as to interference with water supplies (Article 155 of the Constitution).
13. Implementation of the directions given by the parliament for action by the Council (Article 154(4) of the Constitution)

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 18th Amendment 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.

FINANCES AND ACCOUNTS

The Privatisation Commission Finances and Accounts are managed in accordance with the provisions of the Privatisation Commission Ordinance 2000. All privatisation proceeds are deposited in a distinct and separate account called Privatisation Fund Account. The privatisation transaction related expenditure is drawn from this account as supplementary contribution and expensed through Commission Account. The Commission Account has been established to receive supplementary contribution from Privatisation Fund for payment of transaction related expenditure and to receive budgetary grant for payment of office running expenses of the Commission. Net sale proceeds after meeting privatisation transaction related expenditure are transferred to Federal Government and the legal entities entitled to such proceeds. According to the Privatisation Commission Ordinance the net privatisation proceeds received by the Federal Government are utilized in the following manner: -

a) 90% for retirement of Federal Government Debt.
b) 10% for poverty alleviation program

The disbursements/payments are made in accordance with the provisions of the Ordinance and Privatisation Commission (Delegation of Powers) Regulation 2002 which delegates administrative and financial powers, within the ambit of the Ordinance, to the Chairman and the Secretary PC for running the day to day business of the Commission.

The accounts of the Commission are audited annually by the Auditor General of Pakistan and as required by the Privatisation Commission Ordinance, the financial statements prepared in accordance with the provisions of the Ordinance and approved accounting standards as applicable in Pakistan are also audited by the firm of Chartered Accountants for each financial year. The audited financial statements, including the balance sheet, income and expenditure statement and cash flow for the financial year ending **June 30, 2016** and the auditors' report thereon will be included in the annual report, as and when available.

PRIVATISATION – A RATIONALE

The Government envisages the private sector as the engine for economic growth and employment. Privatisation, deregulation, and liberalization are all aimed at promoting market-based growth that leads to sustainable employment and to benefit both consumers and taxpayers. Long-term economic growth and improved services are at the heart of poverty reduction. Distorted prices, lack of competition, and poor public sector management of business have hindered economic development, introduced inefficiencies, generated unproductive and unsustainable employment, slowed down investment, reduced access to services by the poor, resulted in sub-standard goods and services, and contributed to fiscal bleeding. Privatisation is aimed at strengthening public finance and attracting investment while simultaneously enhancing the quantity and quality of goods and services.

Privatisation would send a strong signal to investor that the Government has faith in the private sector to generate economic growth and productive employment. International investors, in particular view privatisation as a principal proxy to measure the seriousness of a government's reforms programme. Privatisation also provides an impetus for needed liberalization and taxation reforms, which are important in improving the business environment. An improved business climate would bring in new investment, including foreign direct investment, reversing the capital flight that has occurred in recent years. Privatisation would also bring in better management with the right incentives to cut down waste, reduce corruption, and improve the coverage and households. At the same time, the Government would be free from micro-managing business. Senior policy makers presently spend much time and effort in making business decisions to attempt to stop fiscal hemorrhaging from state-owned enterprises and improve their efficiency.

The Government is firmly committed to carrying out privatisation in a fair and transparent manner. This includes ensuring a level playing field for existing and future entrants, protecting consumer and taxpayer interests, and dealing with public employees in a fair manner. The PC Ordinance 2000 strives, among other things, to ensure that such policy objectives are met. In addition to specifying advertising requirements to ensure the widest possible participation in privatisation, the Ordinance also directs the Privatisation Commission to ensure that monopolies are not created in the privatisation process, to propose or strengthen a regulatory framework for independent and fair regulation, and to deregulate the economy to the maximum extent possible.

Another policy decision of the Government that has also been enshrined in the Ordinance relates to utilizing the proceeds of privatisation primarily to reduce debt. Fiscal finances would improve in three additional ways. First, many public companies are making losses. They obtain fiscal support via such means as equity injections, loans, bonds, and guarantees or direct budgetary support. If the Government were to divest all its holdings in the company, it would no longer be responsible for financing any losses. Second, privatisation is likely to enhance profits, which would generate higher income tax revenues as well as increased profits per share on any remaining Government shareholdings. Finally, as the number of public companies falls, the number of employees in their respective ministries can also be reduced. Not only would this result in fiscal savings, it would also spare human capital that could be more productively employed in the private sector, which would become more vibrant after receiving improved infrastructure services.

In addition to privatizing companies by handing over management control to new investors,

the Government would like to use privatisation as a means of broadening the ownership of assets, mobilizing savings, and help strengthening capital markets. For this reason, the Government is selling minority shares via the stock market in selected companies either before or after the transfer of management control. Listing and selling companies in the local stock exchanges is likely to give a much-needed boost to the stock markets and help tap into savings. Simply listing a company in the stock exchange may also improve corporate governance as companies will be forced to comply with the stringent reporting requirements of the stock exchange and Securities and Exchange Commission.

Last, but not least, privatisation is seen as a way to reduce corruption. The experience in many countries, including Pakistan, is that public ownership of business provides many opportunities for corruption. Kickbacks on the purchase of goods and services are one form of corruption. Theft and abuse of public property are others. Some employees of public companies providing services such as electricity, telephony, or banking may collude with certain consumers to provide free or cheap services in exchange for side payments. Decision makers, senior ministry officials, and other influential people may exacerbate the situation by staffing state-owned enterprises with their cronies and supporters and by pressuring state-owned banks to lend funds to bankrupt state-owned companies or to influential businessmen for risky or dubious projects. Honest consumers and taxpayers become the big losers. Privatisation will quickly curtail such forms of corruption.

LEGAL FRAMEWORK

The Privatisation Commission Ordinance enshrines many of the processes that were already being followed such as valuating the property being privatized and advertising widely before all privatizations. To ensure that the management of the entity being privatized does not jeopardize the privatisation, the law requires the entity being privatized not to perform any action that would result in assets being lost or wasted and not to incur any liability other than in the normal course of business without the written approval of the PC. Not only does the law serve as a checklist, it clarifies the Commission's mandate and ensures adherence to the process. Rules and Regulations framed pursuant to Privatisation Commission Ordinance 2000 are given below.

Rules and Regulations	
1.	Privatisation (Modes and Procedure) Rules, 2001
2.	Privatisation Commission (Valuation of Property) Rules, 2007
3.	Privatisation Commission (Hiring of Valuers) Regulations, 2001
4.	Privatisation Commission (Hiring of Financial Advisors) Regulations, 2007
5.	Privatisation Commission (Authentication of Documents under Common Seal) Regulations, 2001
6.	Privatisation Commission (Conduct of Board's) Meetings Procedure, 2001
7.	Privatisation Commission (Delegation of Power) Regulations, 2002
8.	Privatisation Commission (Members Travelling Allowance/Daily Allowance) Regulations, 2001
9.	Privatisation Commission Employees (Appointment and Terms and Conditions of Service) Regulations, 2002
10.	Privatisation Commission Advisors/Senior Consultants, Consultants/ Transaction Managers and Technical Assistants (Terms and Conditions of Appointment) Regulations, 2002
11.	The Privatisation Commission (Confidentially and Secrecy of Documents) Regulations, 2003
12.	The Privatisation Commission (Declaration of Fidelity and Secrecy) Rules, 2003

PRIVATISATION PROCESS

The privatisation process is aimed at selling Federal government assets in an open and transparent way with a view to obtaining the best possible price. It varies somewhat depending on the nature of the asset being privatised, on the proportion of shares being offered for privatisation, and on whether a transfer of management is involved. The PC Board decides what kind of process will be followed.

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 administrative/ line ministry submits a summary of the proposed transaction to its Board.

This step justifies the need for privatizing the property, outlines the likely mode of privatisation, and also seeks guidance on issues relating to matters like pricing, restructuring, legal considerations, the regulatory framework.

After endorsement by the PC Board, the matter is submitted to the Cabinet or its sub-committee i.e. the Cabinet Committee on Privatisation for approval and/ or the Council of Common Interests (CCI).

Hiring of a Financial Advisor or Valuator

In major transactions, the process to hire a Financial Advisor (FA) is carried out by the transaction manager, with the approval of the PC Board, in line with the provisions of the Privatisation Commission (Hiring of Financial Advisors) Regulations, 2007.

The process involves finalization of the terms of reference for the hiring of the FA, expressions of interest from prospective FAs are solicited through domestic and international press, an evaluation team is constituted to evaluate the submitted technical and financial proposals. The evaluation team assigns scores to the technical proposals and the highest ranked firm based on both technical and financial scores is invited for contract negotiations and signing of the Financial Advisory Services Agreement (FASA).

In November 2007, the PC Board approved “Hiring of Financial Advisors Regulations, 2007” in order to make the procedures further transparent which were being followed over the last decade.

In other transactions, a valuator is hired according to the “Privatisation Commission (Hiring of Valuers) Regulations, 2001”.

Due Diligence

The next step is to carry out the legal, technical, and financial due diligence by the appointed Financial Advisors.

This step is aimed at the identification of legal encumbrances, evaluation of the condition of the assets, and examining the accounts of the company in order to place a value on the company.

For some industrial units and small transactions, this is done by an in-house transaction managers and staff, or by sub-contracting the exercise to a domestic legal, technical or accounting firm (Valuators / Chartered Accountant Firms). However, for major privatisations in sectors like banking, industry, power, infrastructure or utilities etc., the FA carries out this function and proposes the privatisation plan following due diligence of the PSE being privatised. This may include recommendations regarding the need for restructuring, in addition to specifying the amount of shares or assets to be privatised. This is

determined, keeping in view, the absorption capacity of the market to obtain optimum output and maximum revenue for the government. For major privatisation and/ or when the proposed privatisation mode is different from the initial plan, the revised plan is submitted to the PC Board, the CCOP and Cabinet for approval.

Need for Revamping the Legal and Regulatory Framework

For many major transactions, the ability to privatise and the amount of realizable proceeds, depends on the level of regulated prices for the public enterprise inputs or outputs and other sectoral or regulatory policies. For many monopolies or quasi-monopolies, the key investor interests are "the rules of game" specifying post-privatisation competition, framework and the regulatory environment.

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. The clarification of these rules and the passage of the required laws and regulations are necessary, before taking the transaction to market.

Valuation of Property

In order to obtain an independent assessment of the value of the property being privatised, the PC 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 other cases, the Commission contracts with an external valuation firm or accounting firm as specified in the Privatisation Commission (Hiring of Valuers) Regulations, 2001, and the Privatisation Commission (Valuation of Property) Rules, 2007.

The methods used for the valuation vary with the type of PSE being privatised and often more than one method is used for determining the value. These include the Discounted Cash Flow (DCF) method, Asset Valuation at book or Market Value, and Stock Market Valuation. Despite using scientific methods, valuation remains more of an art than a science. The true value of the property is dependent on various qualitative variables such as the country risk, corporate psychology, strategy and perceptions of future macroeconomic performance. However, only the market can determine the true value. Therefore, it is important to focus on designing appropriate transaction structures, advertising in relevant media, choosing and implementing appropriate pre-qualification criteria for bidders, and following an appropriate bidding process to obtain a fair price for the privatisation.

Pre-Bid and Bid Process

Expressions of Interest (EOI) are invited by advertising in the relevant media. The PC Ordinance, 2000 spells out some of the 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 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 are addressed. The meeting is useful in determining the bidding procedure to be followed (for example, open auction, sealed bids or some combination thereof) and could even determine the proportion of shares that the government may want to divest. The bidding itself is done openly, with all bidders and media invited.

Completing the Transaction

Following the bidding process and identification of the highest bidder, the PC Board makes

recommendations to the CCoP as to whether or not a bid should be accepted. The reference price is a major determinant in the recommendation, although the PC Board may recommend the sale even if the offer price is below the reference price, along with the reasons, thereof. Once the bid price and bidder are approved, the PC issues a letter of acceptance (LoA) or a letter of intent (LoI) to the successful bidder indicating the terms and conditions of the sale. The PC then finalizes the sale purchase agreement through negotiations with the bidder, collects the sale proceeds and transfers the property. Under the PC's current policy, privatisation proceeds are required to be paid upfront rather than over time, as has 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 an official gazette.

Summary of the Process

The privatisation of major entities is a lengthy process. Pursuant to CCOP approval for the privatisation, the process takes at least 12 months to close a major transaction, without involving any major restructuring of the PSE, as well as sectorial reforms.

- ⇨ The appointment of FA takes about 2 to 3 months.
- ⇨ FA takes 3 to 4 months to complete its legal, technical and financial due diligence and propose a privatisation strategy
- ⇨ The marketing and bidding process takes 5 to 6 months
- ⇨ Up to two months to solicit the necessary approvals, finalization of sale documents and financial closure
- ⇨ In case of restructuring involved, additional time is required to set up the necessary regulatory framework and sectoral policies.

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 are as 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

The global as well as national conditions made Privatisation 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 Privatisation Policy through 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 Public-Private-Partnership (PPP):

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.

ACHIEVEMENTS

One of the biggest achievements of the PC 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 PC has successfully managed to complete 172 privatisation transactions, while generating revenue of over PKR 648,954 million.

SECTOR	Sale proceeds 1991 to December 2015	
	No.	**Amount (Rs. in million)**
Banking	7	41,023
Capital Market Transaction	26	303,494
Energy	15	54,255.3
Telecom	4	187,024
Automobile	7	1,102
Cement	17	16,177
Chemical	16	1,643
Engineering	7	182
Fertilizers	7	40,281
Ghee Mills	24	842
Rice	8	236
Roti Plants	15	91
Textile	4	370
Newspapers	5	270
Tourism	4	1,805
Others	6	159
Total	**172**	**648,954**

ACTIVITIES DURING 2015-16

The Privatisation Division (PD) / Privatisation Commission (PC) is actively pursuing the privatisation of approved entities through prescribed modes. During 2015-16, one Strategic Sale of National Power Construction Corporation (NPCC) was successfully completed, fetching proceeds of PKR 2517 million. Whereas, details of other projects in pipeline is also added.

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

National Power Construction Corporation Limited (NPCC) was established in 1974 by the Government of Pakistan (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 Board of the Privatisation Commission (PC), 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 Cabinet Committee on Privatisation (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 Privatisation Commission Ordinance, 2000, 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.***

Bidding for Privatisation of National Power Construction Corporation (NPCC) – in Pictures

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 Government of Pakistan (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.

SPA Signing Ceremony for Privatisation of National Power Construction Corporation (NPCC) – in Pictures

Pakistan International Airlines Corporation Limited

Pakistan International Airlines Corporation (PIAC) was incorporated on January 10, 1955 under the Pakistan International Airlines Corporation Ordinance, 1955 which was subsequently repealed and replaced by Pakistan International Airlines Corporation Act, 1956. The PIAC is a listed company on Pakistan Stock Exchange. The principal activity of the company is to provide commercial air transportation, which includes passenger, cargo and postal carriage services and provision of engineering and allied services.

The Council of Common Interests (CCI) in May, 1997, approved the privatisation/ divestment of PIAC. Subsequently, the Cabinet Committee on Privatisation (CCoP) in its meeting held in October, 2013 approved the privatisation of 31 Public Sector Entities (SOEs), as part of "Privatisation Programme for Early Implementation", which *inter-alia*, included Restructuring of PIAC, followed by divestment to strategic partner with Management Control.

The Privatisation Commission Board, in its meeting held in January 2014, approved the appointment of consortium of M/s Dubai Islamic Bank, IATA Consulting, Deloitte, HaidermotaBNR, Freshfields, Brockaus, Deringer, Abacus Consulting, APCO and Prestige, as Financial Advisors for the PIAC Transaction.

Subsequently, the Privatisation Commission along with its Financial Advisors carried out the Due Diligence exercise, covering various aspects of PIAC including Commercial, Legal, Financial & Taxation, Human Resource, Operational & Technical etc. The Financial Advisors in their Inception Report recommended the conversion of PIAC, a statutory corporation, functioning under the PIAC Act, 1956, into a public limited company, under the Companies Ordinance, 1984. The Due Diligence exercise was completed in August 2015.

PIAC, a statutory corporation, has been functioning under the PIAC Act, 1956, which is restrictive in nature and binds the PIAC to implement the policy directives of the Federal Government, including appointment of key management positions and directors. Therefore, to provide better autonomy, PIAC, a statutory corporation, was corporatized and converted into a public limited company, vide PIAC (Conversion) Ordinance, 2015, dated December 04, 2015. Later on, the Federal Government, in exercise of its constitutional powers, referred the Bill to the Joint Session of the Parliament, which, after detailed deliberation and amendments, as proposed by the Committee of the Joint Sitting on Bills, unanimously passed the said Bill, on April 11, 2016. Following the assent of the President of Pakistan, the PIAC (Conversion) Act, 2016 was enacted on April 15, 2016, whereby PIAC stands converted into Pakistan International Airlines Corporation Limited (PIACL), a company deemed to be successor-in-interest of PIAC.

PIACL is entitled to the benefit of all notifications, licenses, permissions, sanctions, authorizations, concessions, decrees, international air service authorizations, agreements, order and benefits issued or granted in favor of PAIC.

The conversion of PIAC into PIACL would primarily promote the revitalization of Airline and develop a healthy and competitive Airline Sector in Pakistan. It will also improve transparency and accountability, compliance of Corporate Rules/ Codes and enhance internal controls. The new and improved mechanisms will support in improving the corporate image of the newly converted company and translate into increased confidence of all stakeholders and shareholders.

SME Bank Limited

SME Bank Limited 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, whereby entire assets and liabilities of the defunct RDFC and SBFC were transferred to the SME Bank, on December 31, 2001, at fair value.

SME Bank obtained its business commencement certificate on April 16, 2005, which became effective on the date of its issuance. It is a scheduled Bank, engaged in the banking business, with 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.

The Government of Pakistan (GoP) hold 93.88 percent shares, whereas the rest are held by National Bank of Pakistan, United Bank Limited, MCB Bank Limited, Habib Bank Limited, Allied Bank Limited and Industrial Development Bank Limited.

The Council of Common Interests (CCI) in August, 2006, approved inclusion of SME Bank in the privatisation programme. Subsequently, the Cabinet Committee on Privatisation (CCoP) in its meeting held in October, 2013 approved the privatisation of 31 Public Sector Entities (SOEs), as part of "Privatisation Programme for Early Implementation", which *inter-alia*, included the SME Bank Limited.

The Privatisation Commission appointed consortium of M/s Elixir Securities Pakistan (Pvt.) Limited, Bridge Factor (Pvt.) Limited, KPMG Taseer Hadi & Co. and Mohsin Tayebaly & Co. as Financial Advisors for the Bank's privatisation.

The Financial Advisors completed Due Diligence exercise on Financial, Tax, Human Resource and Legal aspects of the Bank in June 2016. Currently, Transaction Structure for privatisation of SME Bank is being finalized in consultation with all stakeholders.

Industrial Development Bank Limited

Industrial Development Bank of Pakistan (IDBP) was established in 1961, under the IDBP Ordinance 1961, as a scheduled bank for extending credit facilities to the Industrial Sector. The Bank played its role in providing impetus for development of industrial sector in Pakistan. However, with the emergence and development of commercial banking sector in Pakistan, IDBP's financial conditions started deteriorating in the late 1990s due to drying up of liquidity / credit lines and other operational/ governance losses. Considering the consistent under performance over an extended period and distressed financial condition, the Federal Government approved the corporatization and restructuring of the Bank.

Accordingly, on May 14, 2011, the IBDP (Reorganization and Conversion) Act, 2011 was enacted for reorganization and conversion of ODBP into a public limited company. Under the aforesaid Act, a new banking company was established under the name of Industrial Development Bank Limited (IDBL) and all the assets, contracts, liabilities, proceedings and undertakings of IBDP were transferred and vested into IDBL w.e.f. November 13, 2012.

Lately, IDBL has embarked on a program to close down its branches, repay the deposit and layoff the staff in order to curtail the expenses. Currently, the bank is operating with a Head Office, two branches and two liaison offices (at Islamabad and Hyderabad).

Considering the financial and operational situation of the bank, the Prime Minister, on October 13, 2015, approved the proposal and recommendation of State Bank of Pakistan and Finance Division, to initiate the privatisation process of IDBL, as per prevailing laws and procedures. Accordingly, the Cabinet Committee on Privatisation, on May 07, 2016, approved the inclusion of IDBL in the 'Privatisation Program for Early Implementation'

Mari Petroleum Company Limited

Mari Gas Company Limited (MGCL) was incorporated with Fauji Foundation, Government of Pakistan and OGDCL as its shareholders having 40%, 40%, and 20% shareholding, respectively, through a "Participation and Shareholders Agreement, 1985".

In 1994, the Government divested 50% of its 40% shares and the Company became listed on all the stock exchanges of Pakistan, thus reducing its shareholding to 20%.

The Company primarily operated as a production company, developing in phases the already discovered Habib Rahi Reservoir in Mari Gas Field for supply of gas to new fertilizer plants. In 2001, the Company expanded its operations and entered into exploration business. Moreover, the Company also owns and operates a 3D seismic data acquisition unit, a 2D/3D seismic data processing center, three land drilling rigs and a slick line unit. With expansion into exploration activities and addition of E&P allied services, MPCL has become a fully integrated E&P company in Pakistan, having oil and gas fields in all the provinces.

To reflect its diversified business operations and expanded activities, the name of the Company was changed from "Mari Gas Company Limited" to "Mari Petroleum Company Limited" (MPCL) in November 2012.

The current shareholding pattern is as under: -

Sr. #	Shareholder	Shareholding (%)
1	Fauji Foundation	40.00
2	OGDCL	20.00
3	Government of Pakistan	18.39
4	BESOS Employees Trust	1.61
5	NIT/NBP/SLIC/General Public	20.00
	Total	**100.00**

The Cabinet Committee on Privatisation (CCoP) in its meeting held on May 07, 2016, approved the divestment of Government of Pakistan's (GoP) shareholding in MPCL, either through JV Partners or the stock exchange.

Accordingly, the Privatisation Commission initiated the process. In the meantime, the Ministry of Petroleum & Natural Resources informed that both the JV Partners desire that GoP should offer them notice of intention (Transfer Notice), to divest its residual shareholding in MPCL,

as they are entitled to the 'first right of refusal' under the Article 3 of the Participation and Shareholders Agreement, 1985 and Supplemental Participation and Shareholding Agreement, 1992.

Currently, the Privatisation Commission is considering the request of JV Partners for offering of Transfer Notice to them, in light with provisions of above-mentioned agreements.

Pakistan Steel Mills Corporation

The Cabinet Committee on Privatisation (CCoP) in its meeting held in October, 2013 approved the privatisation of 31 Public Sector Entities (SOEs), as part of "Privatisation Programme for Early Implementation", which *inter-alia*, included the privatisation of Pakistan Steel Mills Corporation (PSMC). Accordingly, the Privatisation Commission appointed Financial Advisor (FA) for the purpose. The FA completed the Due Diligence exercise and based on the same, the Privatisation Commission presented the proposed Transaction Structure to the Privatisation Commission Board and the Cabinet Committee on Privatisation.

The Cabinet Committee on Privatisation, in its meeting held on October 02, 2015, reviewed the proposed Transaction Structure and decided that since the Government of Sindh, in the past, has expressed interest to acquire the PSMC, therefore, the Government of Sindh, should be offered to acquire PSMC with all its assets and liabilities. Accordingly, the Privatisation Commission on October 14, 2015, informed the Government of Sindh to decide on the offer of the Federal Government and revert with its decision at the earliest. However, despite several communications and sharing of information, no serious response has been received from the Government of Sindh.

At present, the Transaction Structure is being formalized. In the meantime, the Government of Pakistan has been consistently supporting the PSMC employees by releasing them monthly salaries, as the production of PSMC has been halted, since the closure of gas in June, 2015.

Heavy Electrical Complex

The Cabinet Committee on Privatisation (CCoP) in its meeting held on October 03, 2013, approved to re-initiate the privatisation process of Strategic Sales of the Heavy Electrical Complex (HEC).

Accordingly, the advertisement for invitation of Expression of Interests for the 3rd attempt was floated on December 15, 2014. Subsequently, the Privatisation Commission Board qualified three (03) parties, to take part in the bidding process. However, only one party succeeded in depositing the earnest money by the due date, but it failed to deposit the sale price of PKR.255 million. Thereafter, the Privatisation Commission Board, in its meeting held on March 22, 2016 decided that the process of privatisation of HEC be annulled and fresh Expression of Interests be invited for the 4th attempt, by appointing a Financial Advisor for Strategic Sales of HEC.

Accordingly, the Expression of Interests for appointment of Financial Advisors was advertised on May 09, 2016. In response, following two parties expressed interest: -

i. Consortium of Next Capital, Topline, Hussain & Haider
ii. Consortium of KASB Securities, Ijaz Ahmed & Associates, Core Advisors and MYASCO (Deloitte)

Currently, the appointment of Financial Advisors for HEC transaction is under process.

INTRODUCTION OF E-OFFICE SUITE

In the spirit of democratic governance, revolutionary policies and visionary approach, present government of Pakistan is giving very high priority to information and communications technology (ICT) sector, particularly e-Government system in the country.

In this regard Privatisation Division/ Commission in consultation with National Information Technology Board (NITB) and Ministry of IT, is implementing the e-Office Suite, to ensure efficiency, accuracy, effectiveness, good governance, transparency, and accountability in decision making and delivery of efficient and cost-effective process in the day-to day business.

The strategic benefits of e-Office Suite are to (1) improve availability of data by utilization of technology and information systems in disposal of day to day business; (2) improve inter-ministerial communication; (3) to promote automated solutions, such as document imaging and workflow to create a more dynamic workplace and decrease obstacles in completing tasks; and (4) optimal utilization & management of Human Resource.

Moreover, the Privatisation Commission is maintaining a central record room, which is responsible for storing and archiving of critical record. In contains both current and historical record of different operational activities including but not limited to the privatisation transactions and allied activities. Accordingly, in the first stage, in order to ensure its durability and safety, the management has decided to undertake digitalization of the record through sorting, scanning and archiving exercise.

Moreover, the implementation of e-Office module is being initiated in the organization, for digitalization of all the Official record, as well as all conduction of day-to-day official activities through the same mechanism.

VISION FOR THE FUTURE

Our long-term vision is of a government that focuses on good governance and regulation, while fostering conditions to provide incentives for the private sector to invest in providing goods and services efficiently. This would generate employment opportunities, which are necessitated by business development, and would ultimately decrease unemployment and alleviate poverty. In short, we believe that the government should exit the role of running businesses. The PC can help to put business into the right hands while freeing the government to focus on such matters as ensuring law and order and making sure that the enabling framework is conducive to investment while being fair to consumers and taxpayers.

A stable macroeconomic and law and order situation is essential for creating a climate conducive for private investment. At the same time, competition, liberalization and deregulation are required for protecting the interests of consumers and for sending the right price signals to customers and investors. However, in infrastructure and utility services, competition may not be feasible. In such cases, a fair and comprehensive regulatory framework must exist to balance the needs of consumers and investors. In addition to defining standards for performance, safety, health and the environment; the regulatory framework must ensure that the prices of goods and services reflect their costs of production and that investors are fairly rewarded for taking risks. The long-term interests of consumers are best protected by balancing the needs of investors and consumers.

The privatisation programme includes many PSEs in the banking and finance, oil and gas, telecommunications, power, and industry and other sectors. However, the privatisation agenda is much broader. For example, while Karachi Electric Supply Company was the first company privatised in the power sector, following Kot Addu Power Company, the government is committed to privatizing all its power companies. In some areas, such as Pakistan International Airlines, Pakistan Steel Mills and Pakistan Railways, the government is working on restructuring and improvements before privatisation.

While there has been little official discussion of privatizing other sectors, many possibilities exist. For example, the Federal Government owns substantial amounts of real estate that could be privatised. The post office, which has been successfully privatised in several countries, could also be a candidate. Both ground and surface water resources could be privatised by assigning tradable property rights to water resources to existing users along with the transfer of irrigation infrastructure. This is working well in some Latin American countries and Australia.

Some Latin American countries have also successfully privatised roads, bridges, and water companies and are encouraging the provision of education and health services, through the private sector, by funding such activities rather than investing in them and operating them. The services, themselves, will be provided by private investors, NGOs, or community groups. International experience has shown that the public provision of social services typically does not help the poor, who are often excluded from services or whose quality is too poor to be useful. Options such as voucher schemes and lifeline tariffs can ensure that the poor can avail of the privatised services. Such initiatives may also prove fruitful in Pakistan.

In short, the potential privatisation agenda is large and ambitious. 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.

FINANCIAL STATEMENTS
AND
AUDITORS REPORT

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