

Privatisation & Investment

Dr. Abdul Hafeez Shaikh

Minister for Investment & Privatisation

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Key Features

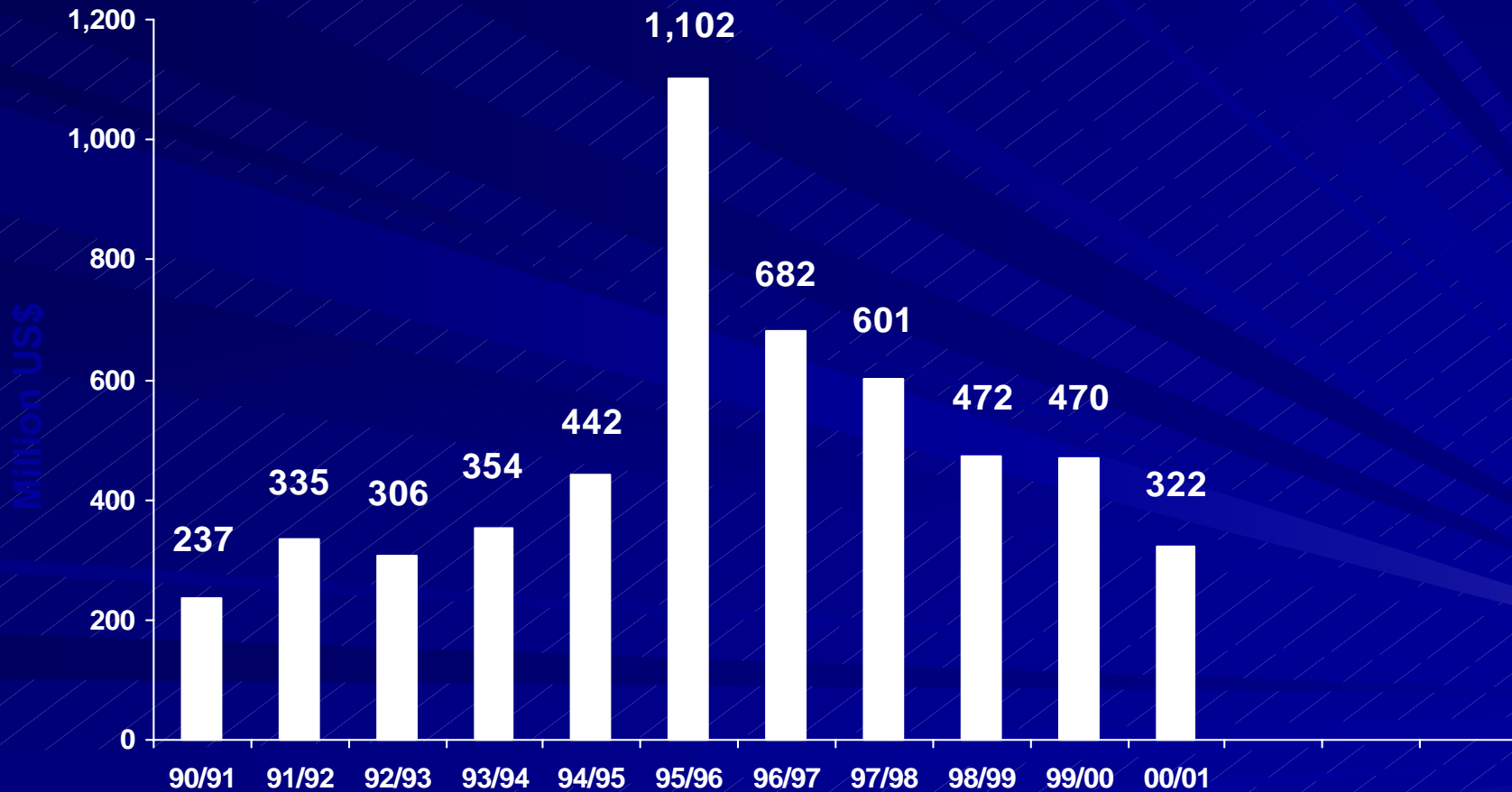
- **Highly Centralized Economy**
- **Dominant Role of State**
- **High Population Growth**
- **Low Exports and Low Investment Growth**
- **Low Emphasis on Human Development**
- **Declining Development Expenditure**
- **Infrastructure Constraints**
 - **Population,**
 - **Urbanisation**
 - **Increasing GDP**

BROAD TRENDS OF ECONOMY (Historical Perspective)

	60s	70s	80s	90s	2000+
Average Growth (%)	6.8	4.8	6.5	4.6	5+
Main Features	Uneven growth	Populism Bad Economics	Growth Missed Opportunities	Instability Bad Governance	Consolidation

Low Exports and Low Foreign Investment have resulted in low economic growth

PAKISTAN INVESTMENT INFLOWS (1990 – 2001)



Source: State Bank of Pakistan

Pakistan's Investment & Infrastructure Needs are Enormous

Investment in infrastructure has been Stagnant

Public Sector Infrastructure Investment Unlikely to Increase in a Big Way:

- **Fiscal Constraint – Deficit Targets**
- **competing Needs from Social Sector and Irrigation**

The Private Sector has been Missing in Infrastructure

Lack of Private Sector Investment in Infrastructure

Connected to Other

Long Term Trends in FDI and Privatisation

Slow pace of investment and privatisation caused by ...

- ◆ Political Instability
- ◆ Difficult Neighborhood
- ◆ Policy and Implementation Gap
- ◆ Resistance From Hidden Opponents
- ◆ Limited Financial Resources and Capacity
- ◆ Lack of Coordination - Center / Province
- ◆ Complex Dispute Resolution

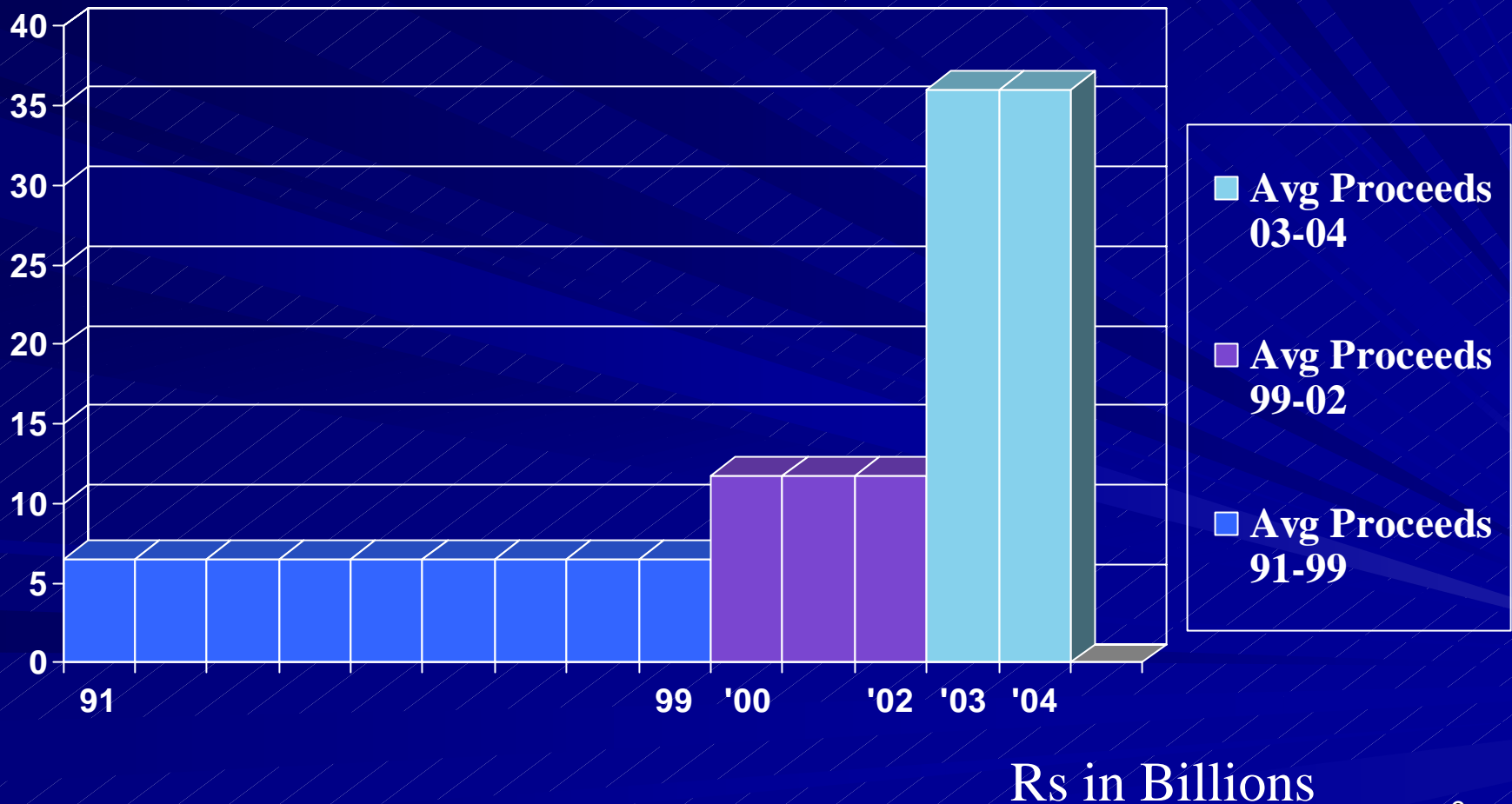
RECENT CONSOLIDATION

- ◆ Debt Position
- ◆ GDP Growth
- ◆ FDI Increasing
- ◆ PS Credit Increasing
- ◆ Privatisation Success

Situation Improving ...

- ◆ Policy Regime Stable
- ◆ Pro Business Investment Policies
- ◆ Improved Regulation
 - Regulatory Bodies set up in various sectors: PTA, OGRA, NEPRA etc.
- ◆ Financial Sector & Capital Market Reform

Pace of Privatisation Picking up



Achievements of Present Government

- ◆ 21 transactions totaling Rs. 75.1 billion
- ◆ Habib Bank largest Strategic Sale value 22.4 billion for 51% shares
- ◆ Thatta Cement, Rohri Cement, Hyatt Regency, ICP-SEMF mutual fund, Kohinoor Oil Mills
- ◆ Sale of KESC (73%) valued at Rs. 20.24 billion

Privatisation For The People

◆ Objective

- broadening & strengthening capital markets
- facilitating general public's participation in the process
- shares in various entities divested through capital markets.

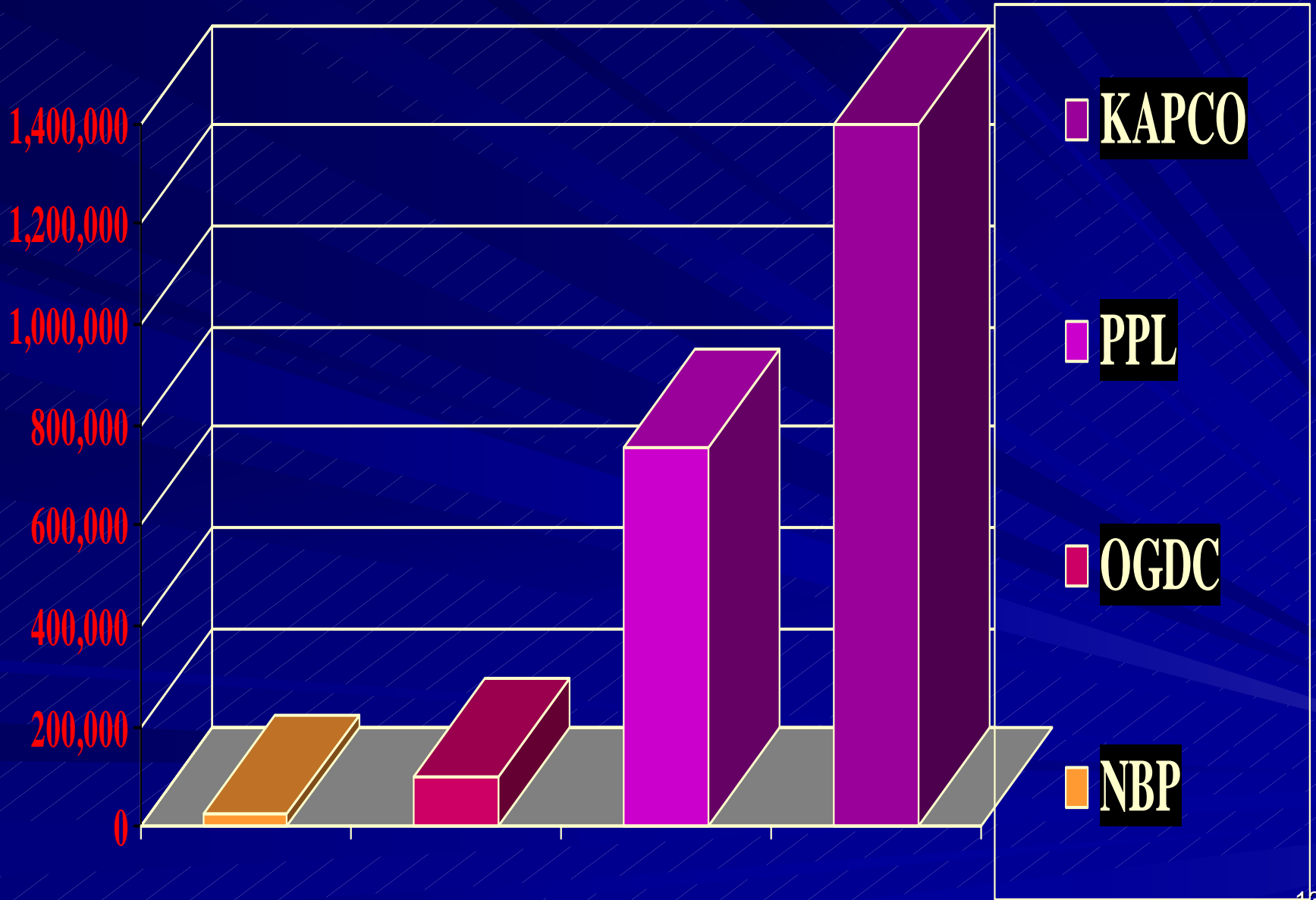
◆ Advantages

- Transparent process
- Broad based ownership / citizen participation
- Tapping available liquidity
- Strengthening stock markets

Privatisation for the People

- ◆ Shares in KAPCO, OGDCL, PPL, PIA, SSGC, NBP, POL, ARL, DG Khan Cement, Bank Alfalah and others sold / approved to date amounting to Rs 28.1 billion
- ◆ Number of applicants for OGDC IPO - 97,000 (offer subscribed 8 times)
- ◆ Number of applicants for SSGC shares -258,089 (offer subscribed 15 times)
- ◆ Nearly 716,000 people benefited / to benefit from the divestment of shares
- ◆ Other divestments being planned such as SLIC, UBL etc.

Increase in Investor Awareness & Response



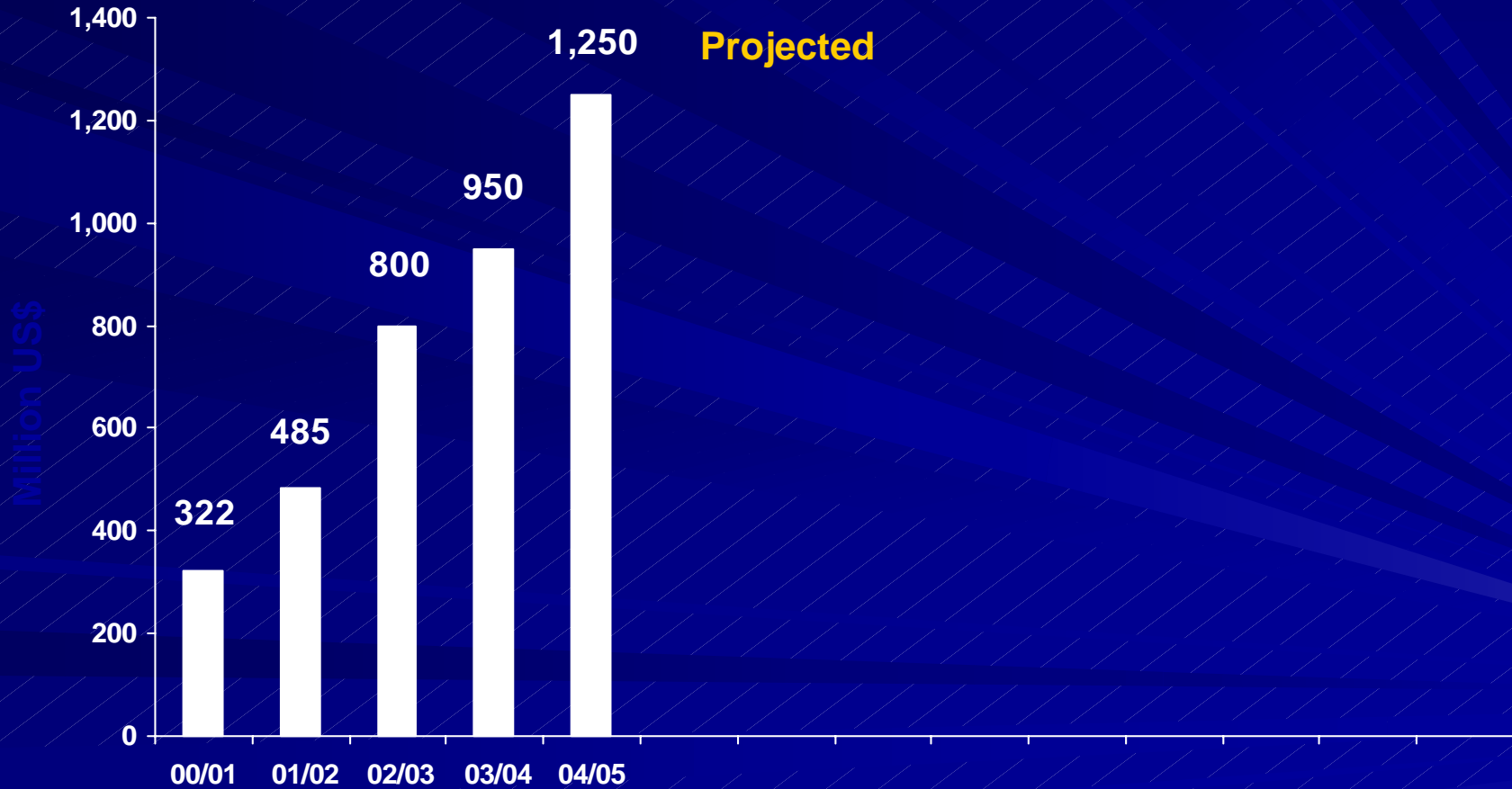
Lessons Learnt

- ◆ Good Intentions
- ◆ Strong Commitment
- ◆ Appropriate Design
- ◆ Transparent Procedure
- ◆ Strengthened Regulation
- ◆ Communication with people
- ◆ Need for concurrent reform process
- ◆ Market final determinant of price

Investment Projection

- ◆ Promotion of Investment
- ◆ Marketing of Investment incentives & opportunities
- ◆ Facilitation of Prospective Investors
- ◆ Image Projection

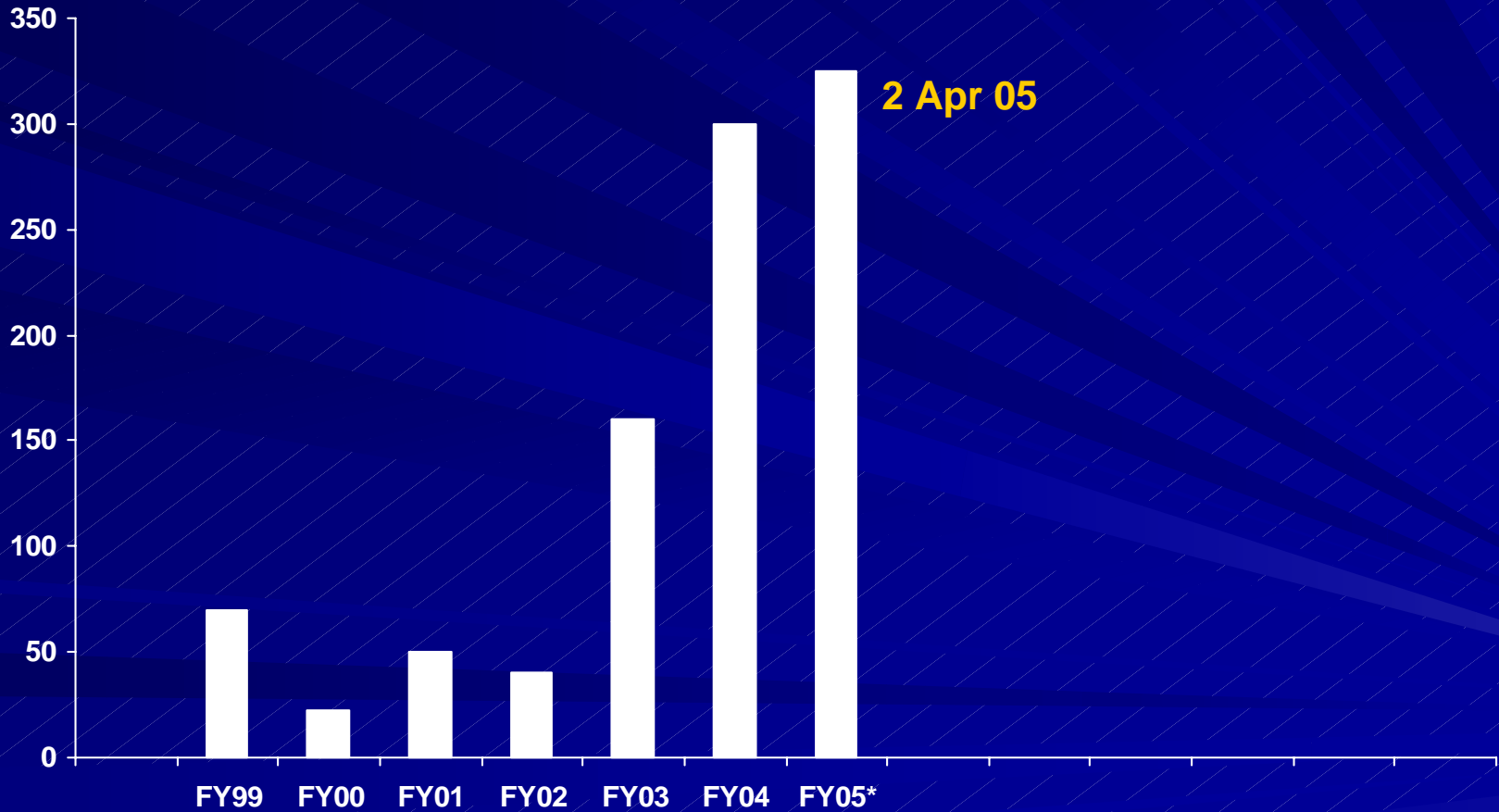
RESULTS BEGINNING TO SHOW INCREASING INVESTMENT INFLOWS (2000 – 2005)



Source: State Bank of Pakistan

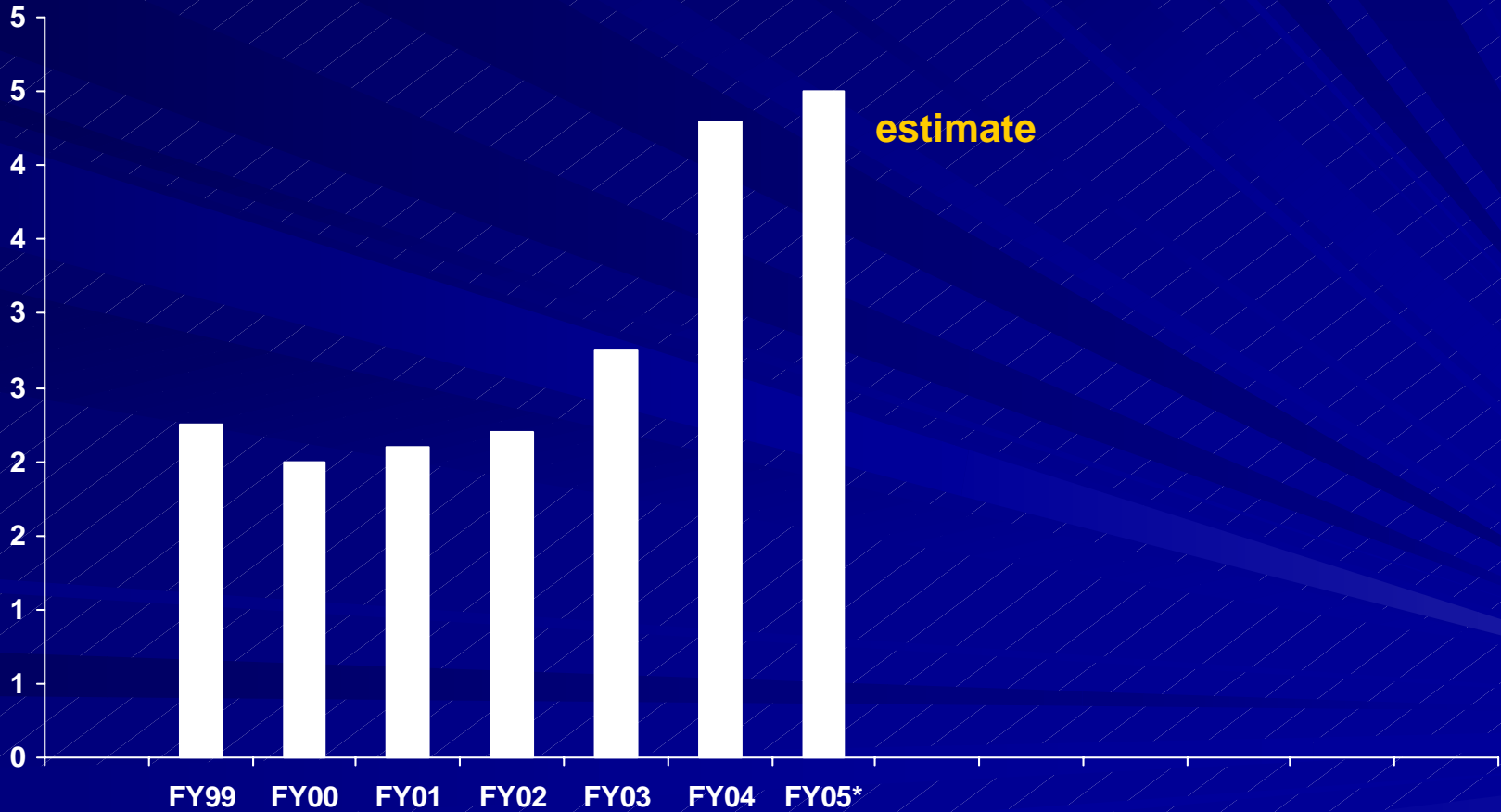
RESULTS BEGINNING TO SHOW
PRIVATE SECTOR CREDIT HAS SHOT UP

Credit to Private Sector (flows in billion Rs)



RESULTS BEGINNING TO SHOW
IMPORT OF MACHINERY HAS RISEN

Machinery Group Imports (billions US\$)



CONCLUDING REMARKS