

# **Privatisation & Investment**

**Dr. Abdul Hafeez Shaikh**

**Minister for Investment & Privatisation**

**April, 2005**

# Key Features

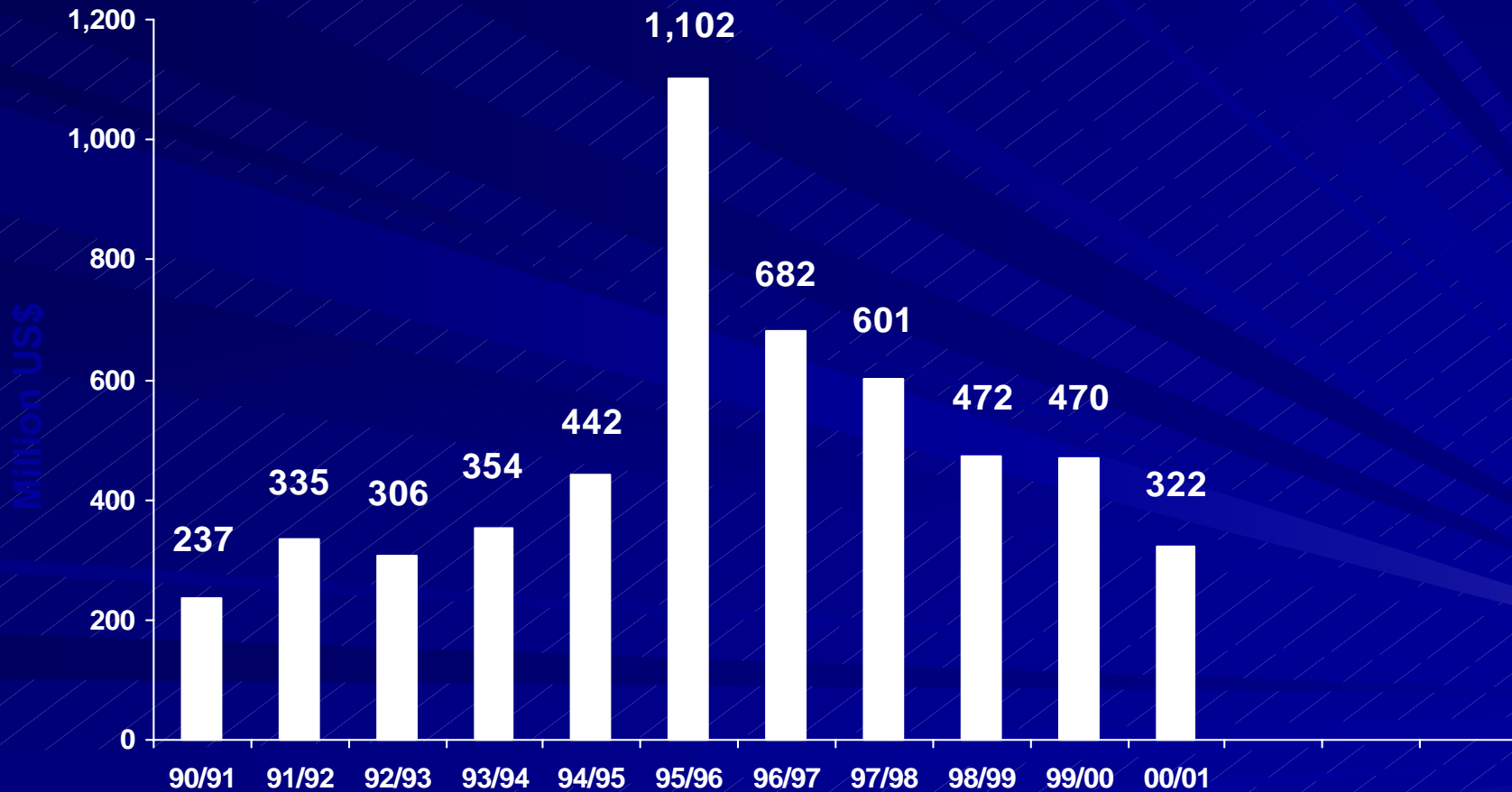
- **Highly Centralized Economy**
- **Dominant Role of State**
- **High Population Growth**
- **Low Exports and Low Investment Growth**
- **Low Emphasis on Human Development**
- **Declining Development Expenditure**
- **Infrastructure Constraints**
  - **Population,**
  - **Urbanisation**
  - **Increasing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

# BROAD TRENDS OF ECONOMY (Historical Perspective)

	60s	70s	80s	90s	2000+
<b>Average Growth (%)</b>	6.8	4.8	6.5	4.6	5+
<b>Main Features</b>	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

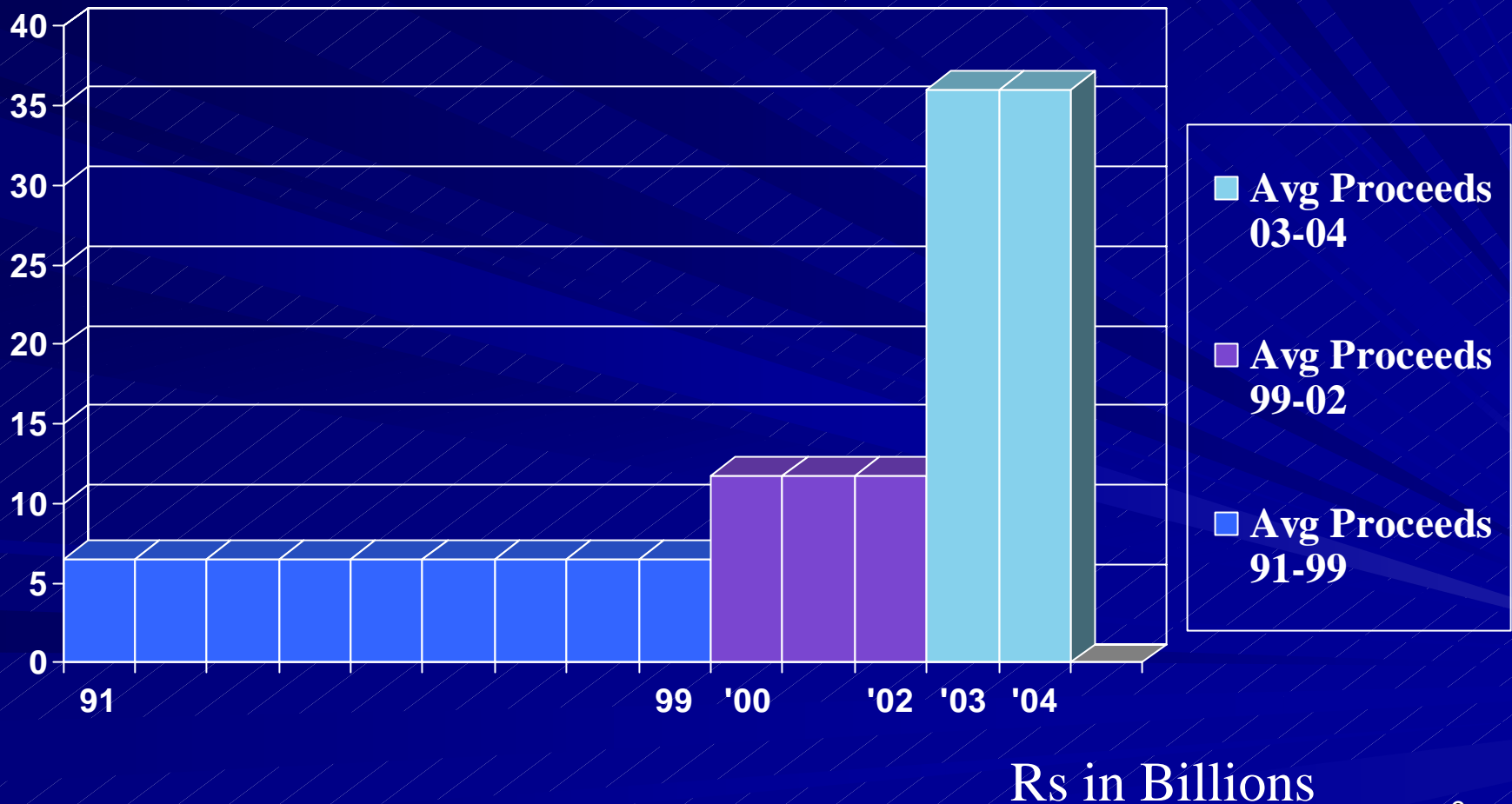
# RECENT CONSOLIDATION

- ◆ 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.

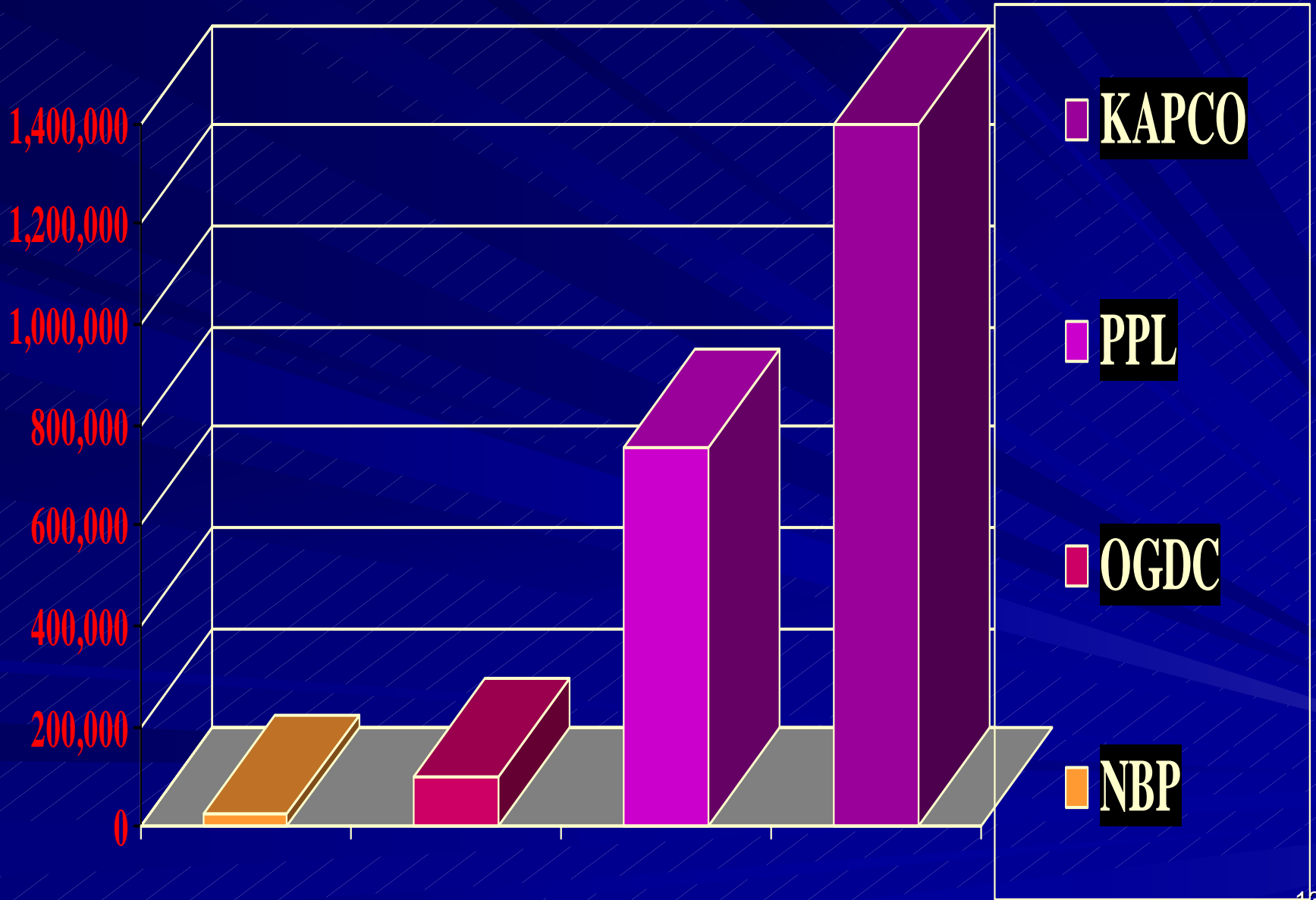
## ◆ Advantages

- 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



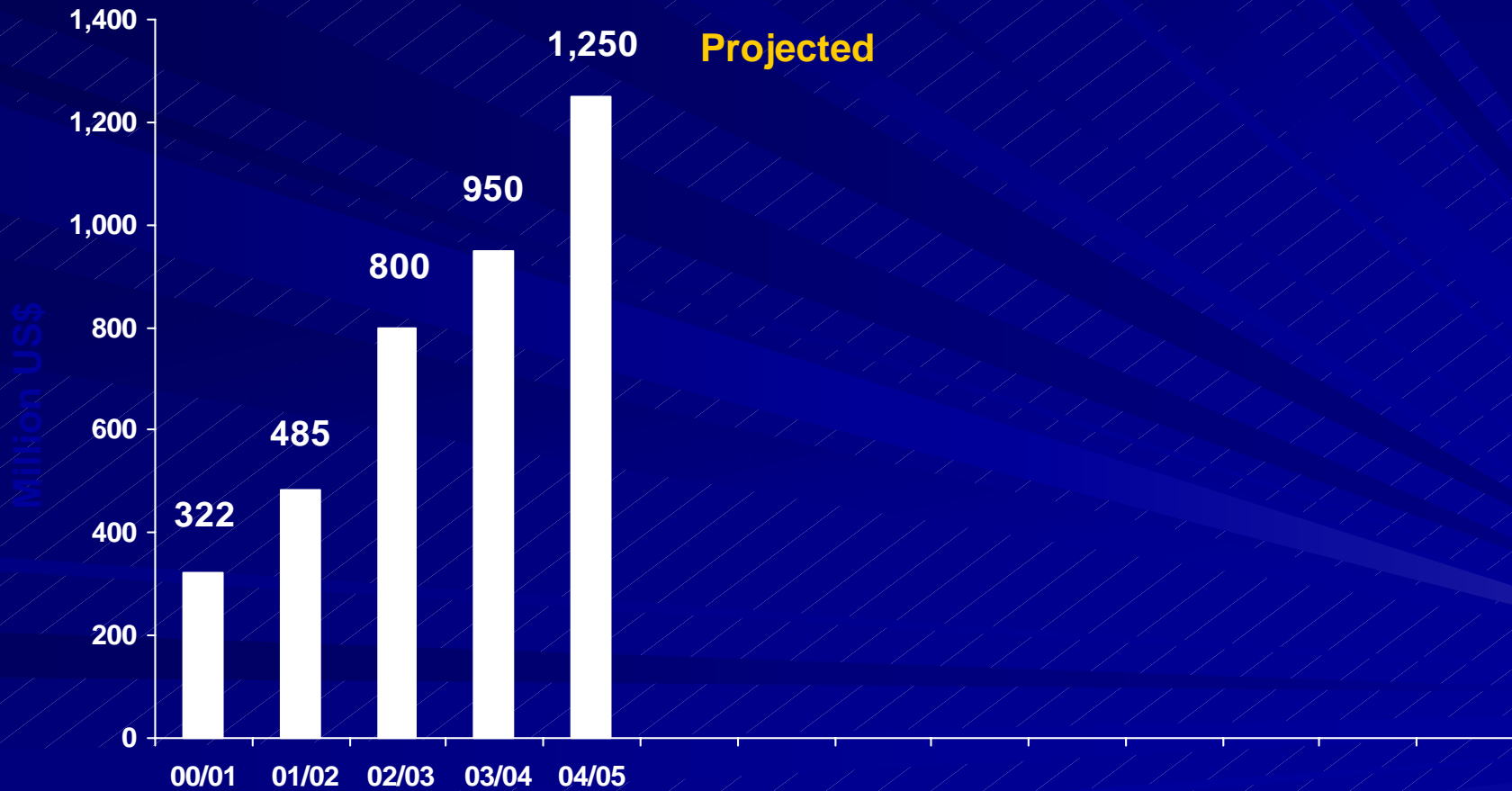
# Lessons Learnt

- ◆ 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

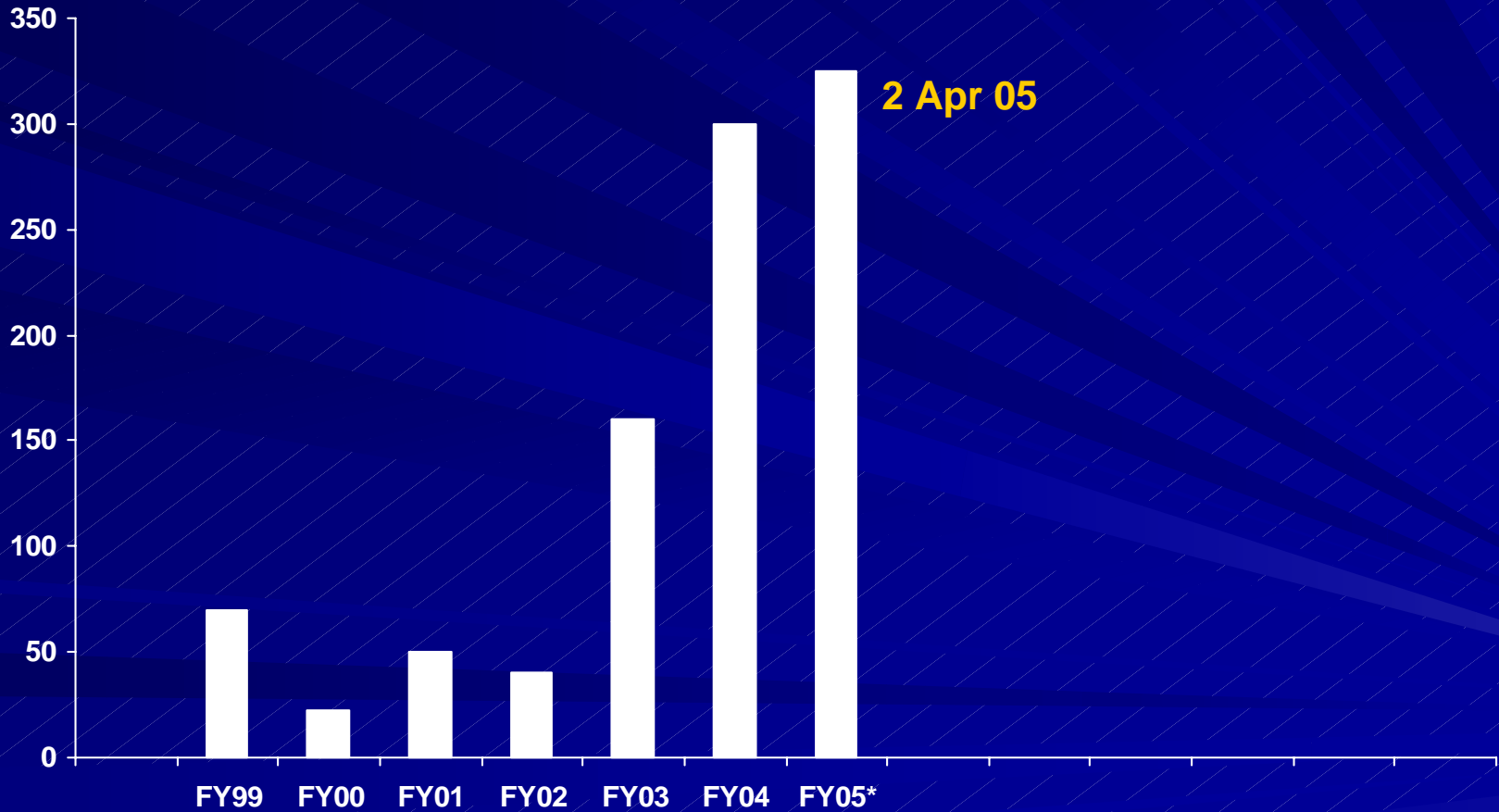
# RESULTS BEGINNING TO SHOW INCREASING INVESTMENT INFLOWS (2000 – 2005)



Source: State Bank of Pakistan

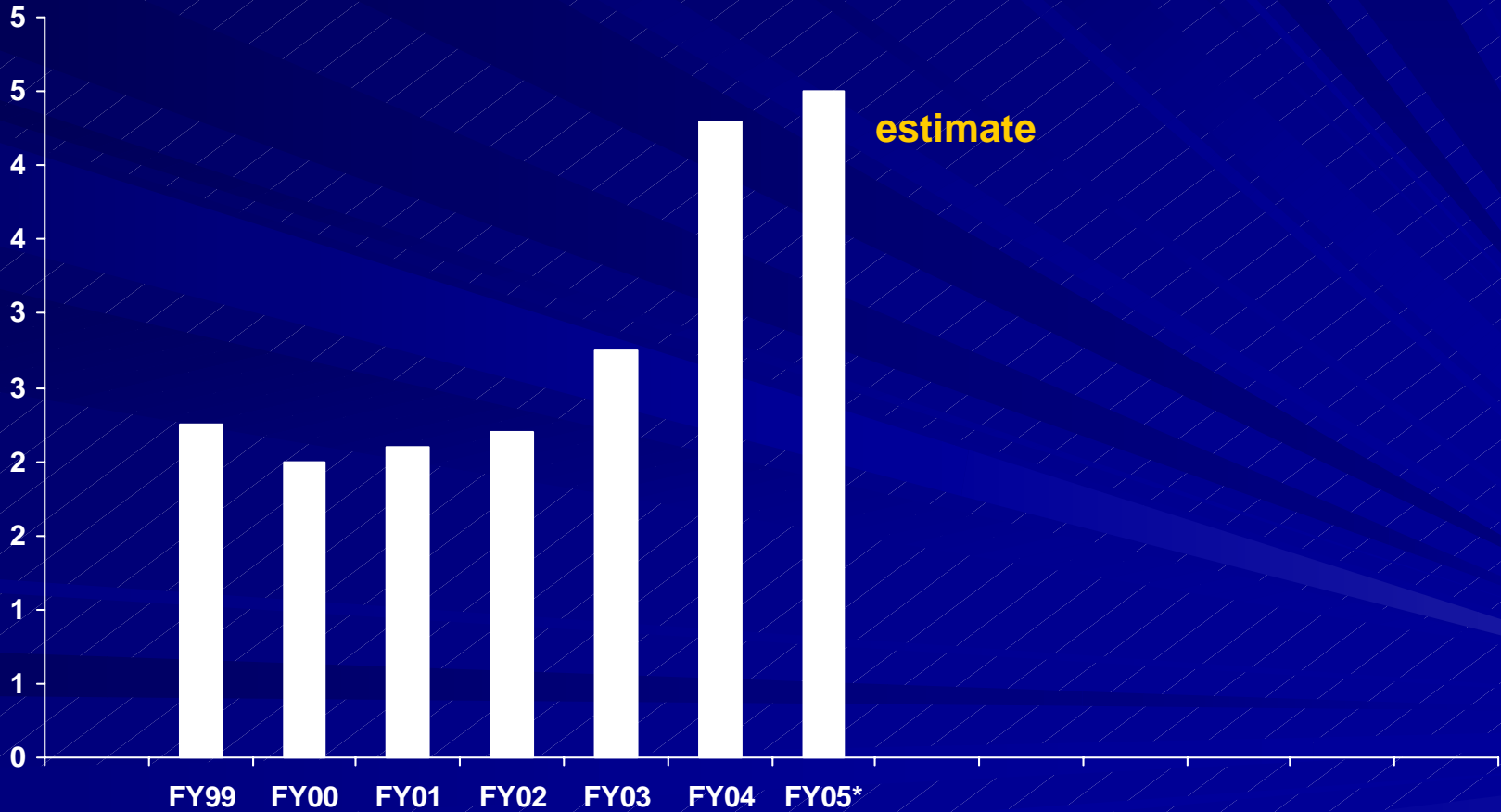
**RESULTS BEGINNING TO SHOW**  
**PRIVATE SECTOR CREDIT HAS SHOT UP**

**Credit to Private Sector (flows in billion Rs)**



**RESULTS BEGINNING TO SHOW**  
**IMPORT OF MACHINERY HAS RISEN**

**Machinery Group Imports (billions US\$)**



# CONCLUDING REMARKS