

***PRIVATE SECTOR'S ROLE
IN
INFRASTRUCTURE
DEVELOPMENT***



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Infrastructure – Key to Development

Historically, for each percentage point of growth in a country's per capita GDP its infrastructure stock has grown by 1 percent

(World Development Report 1994)

What is Infrastructure?

- 
- Energy
 - Telecommunications
 - Roads
 - Ports
 - Railway
 - Air Transport
 - Water Supply
 - Waste Management,
 - Information Technology Cyber Parks,
 - Industrial Estates

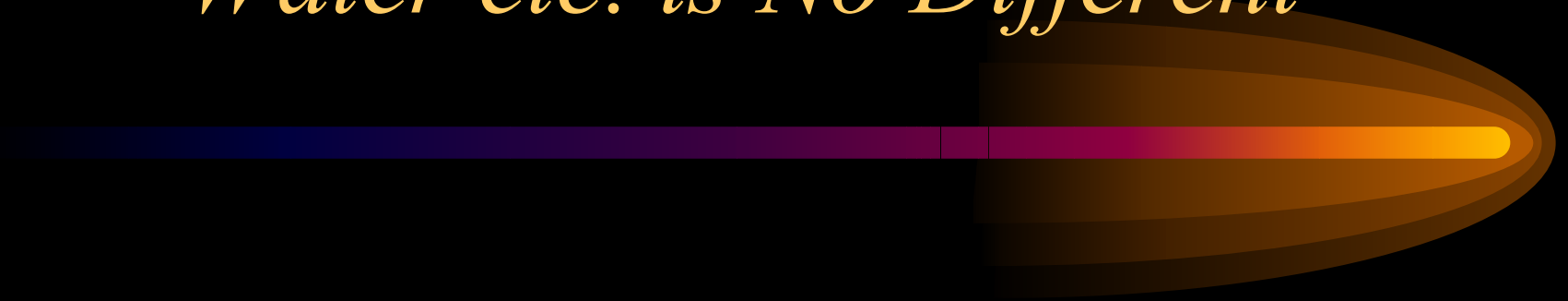
Pakistan's Infrastructure Needs are Enormous



INDICATORS	PAKISTAN	DEVELOPING COUNTRIES
Electricity /Capita (KWh)	329	864
Energy Use / Capita (Kg Oil Equiv.)	451	957
Teledensity	2.9	16.5

Figures Up to 2001 – Source World Bank

*The Situation in Other Infrastructure
Sectors such as Roads, Sanitation,
Water etc. is No Different*



Infrastructure Needs are Growing

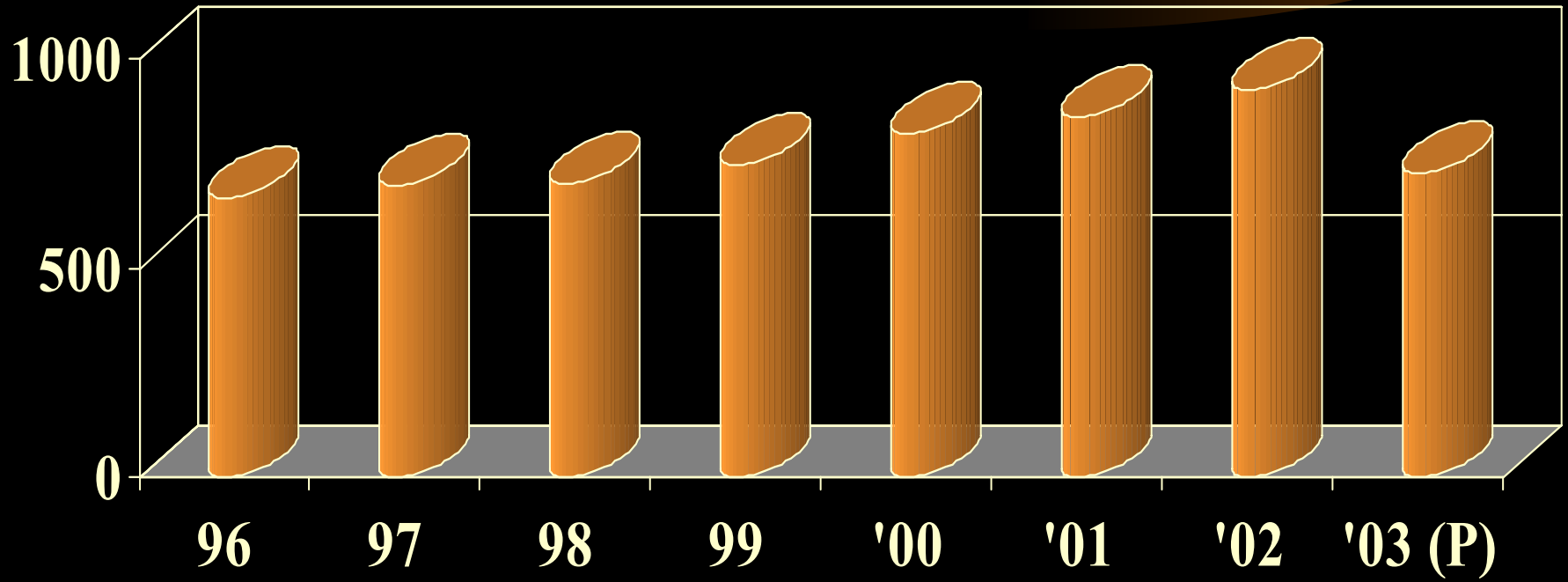


- Population - 2.4%
- Urbanisation – 3.5%
- Increasing GDP – 6% Generates Pressures for Better Services

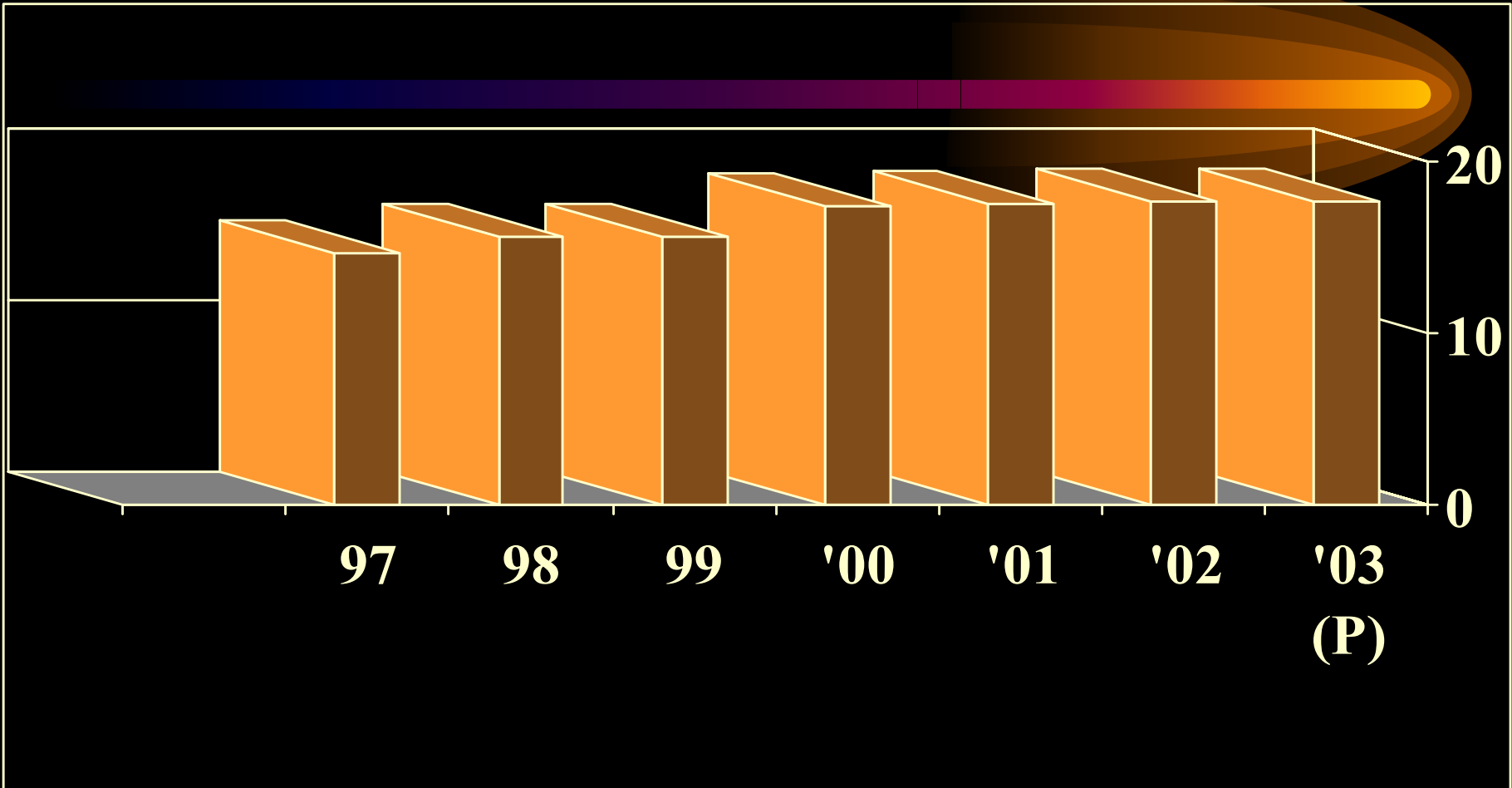


*Investment in
Infrastructure
has been
Stagnant*

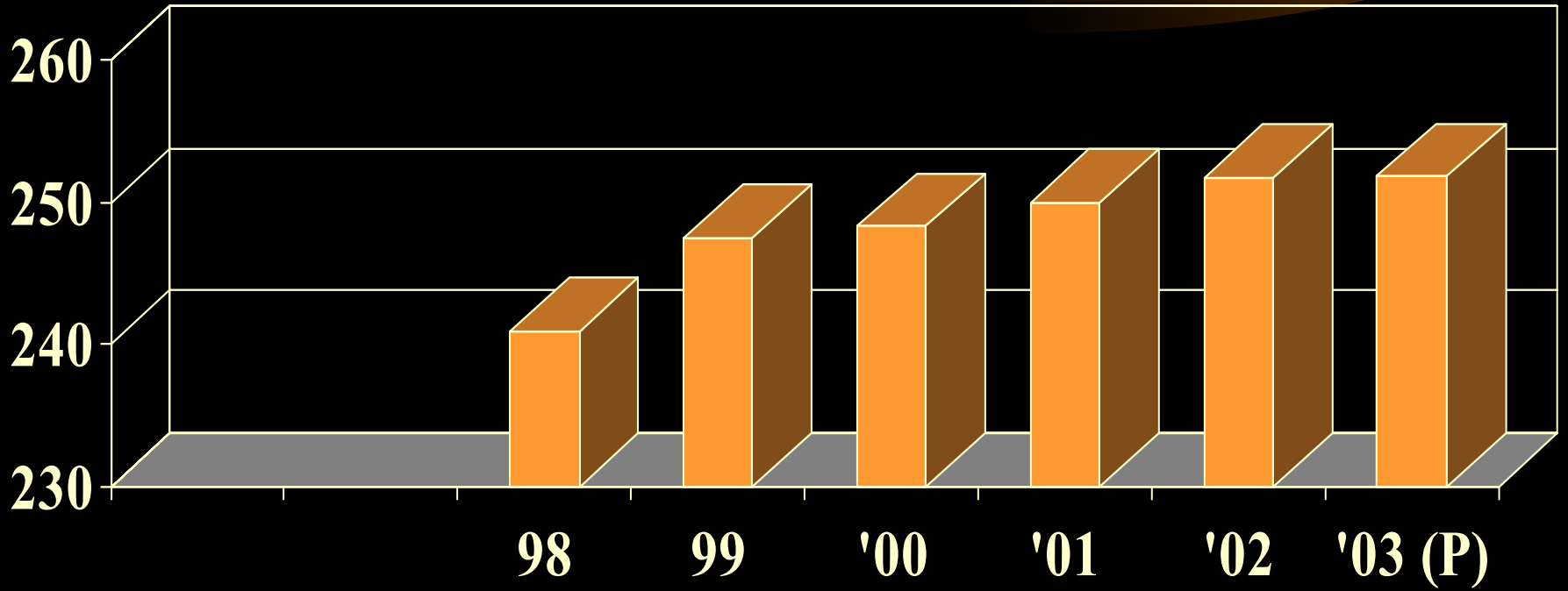
■ Gas Bln. CF



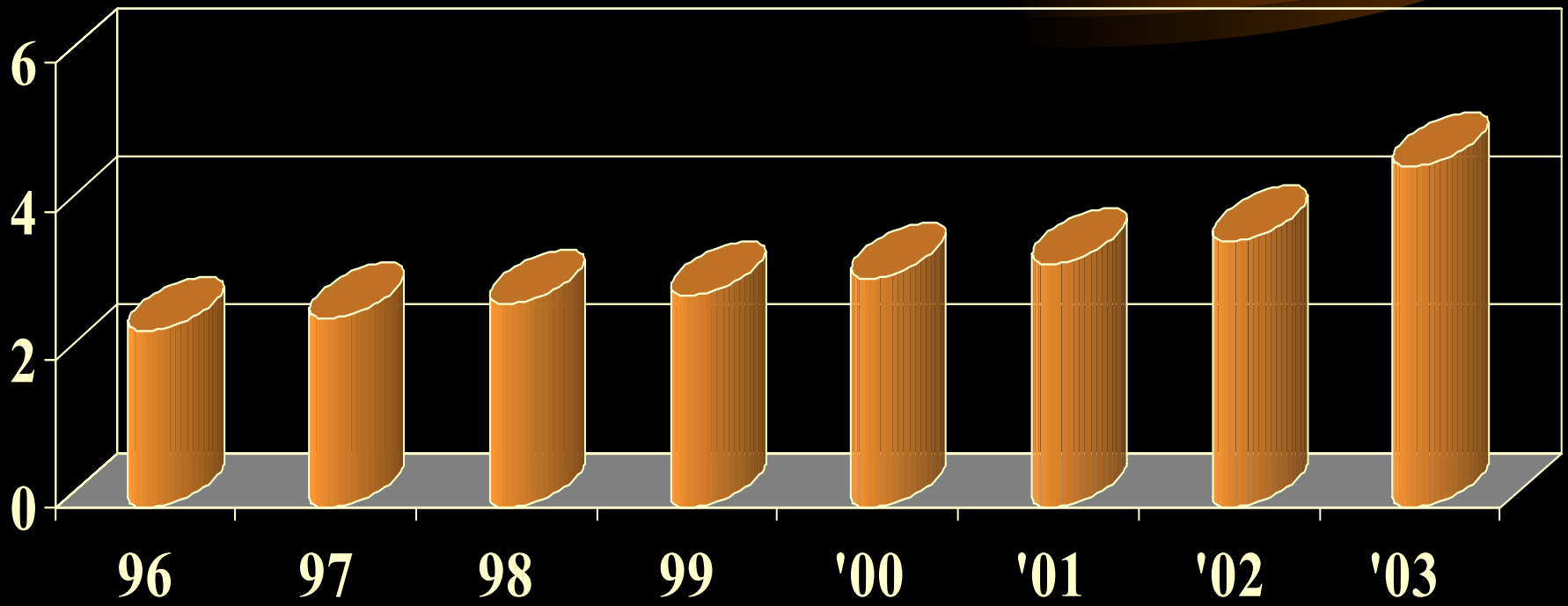
Electricity 000 MW



■ Roads 000 Km



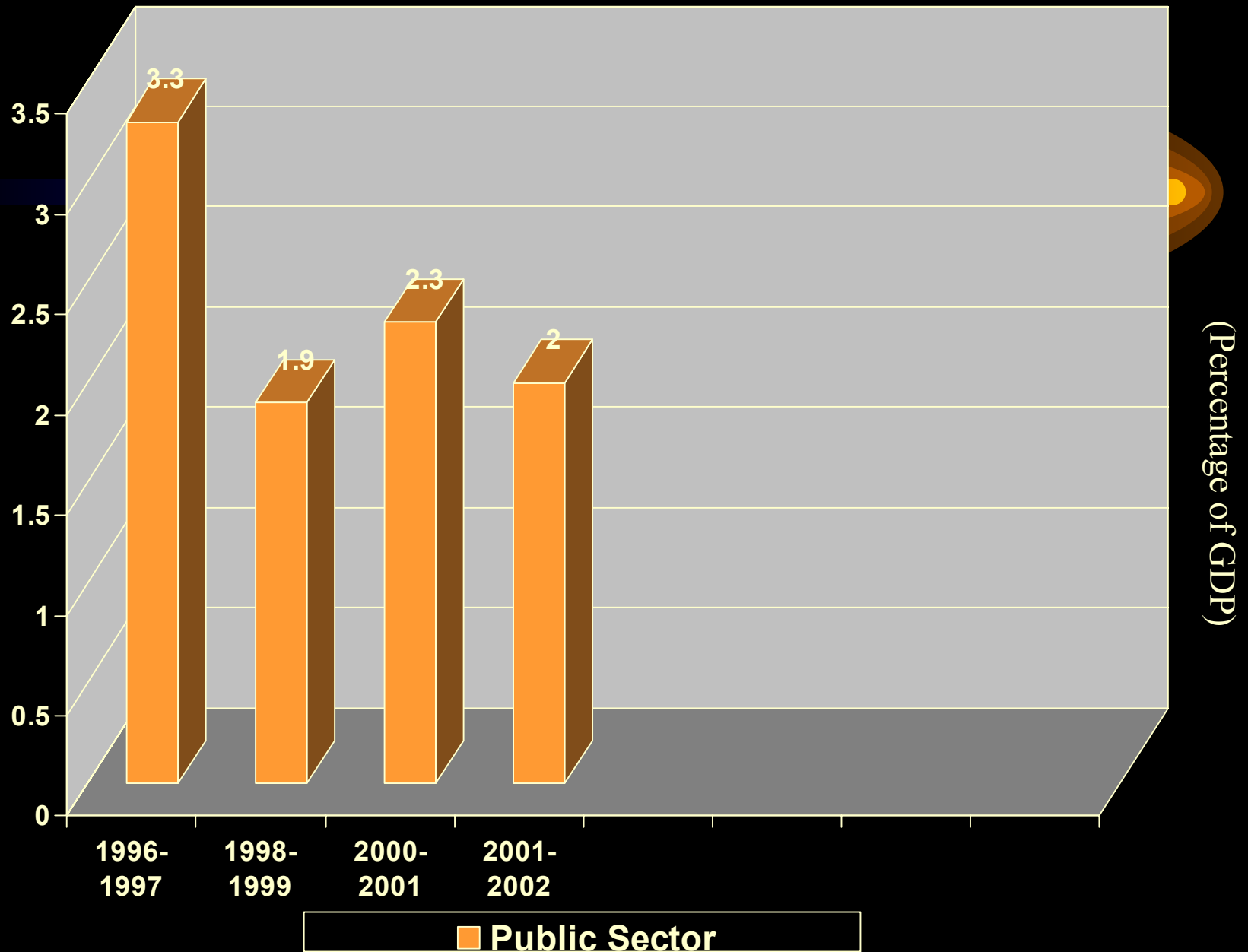
■ **Telephones Mln. Nos.**





*Public Sector Funds for
Infrastructure Investment
have not been Forthcoming*

Public Sector Investment in Infrastructure – source ADB



*.....and is Unlikely to Increase in
a Big Way*

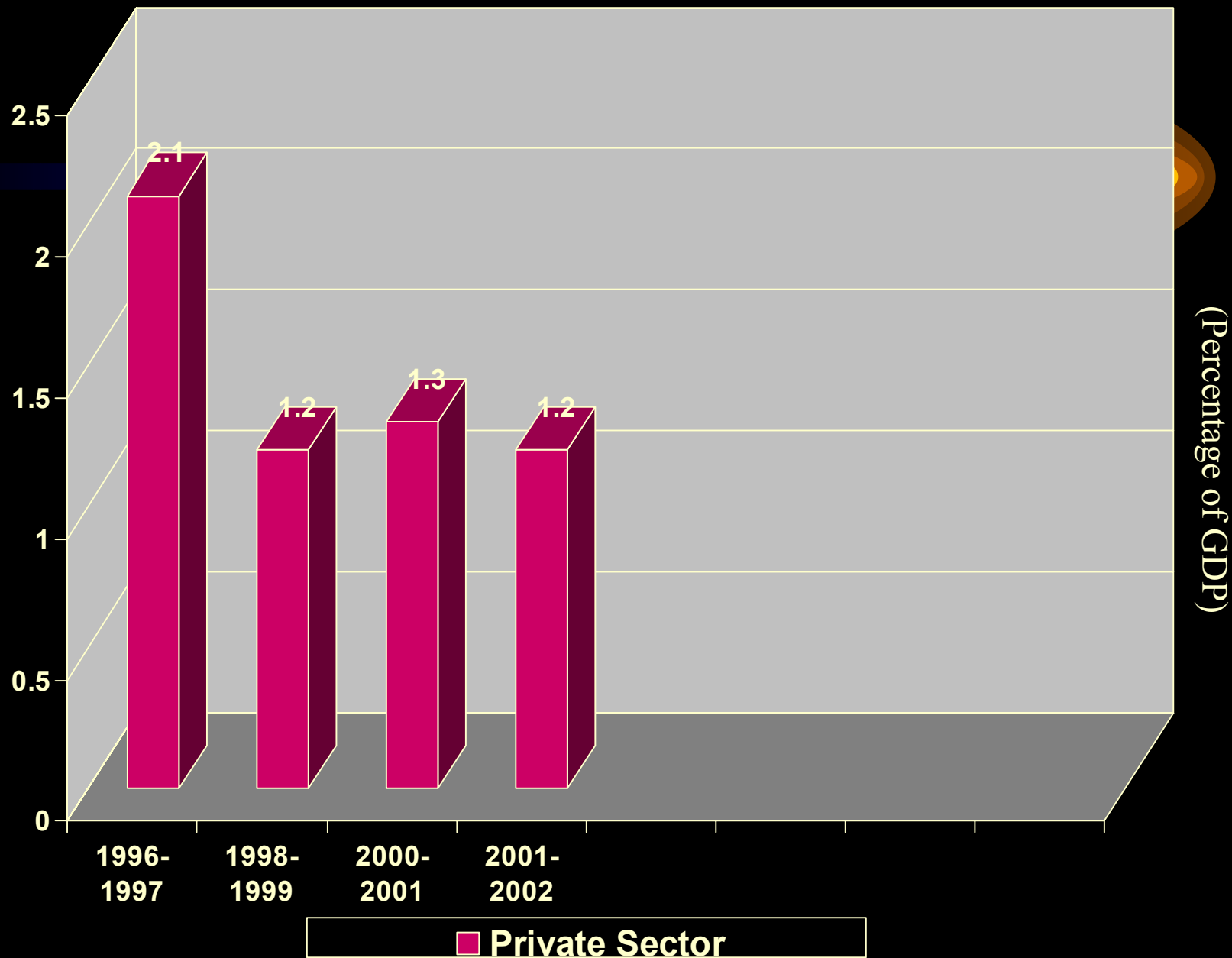


- Fiscal Constraint – Deficit Targets
- Competing Needs from Social Sector and Irrigation



*The Private Sector
has been
Missing in Infrastructure*

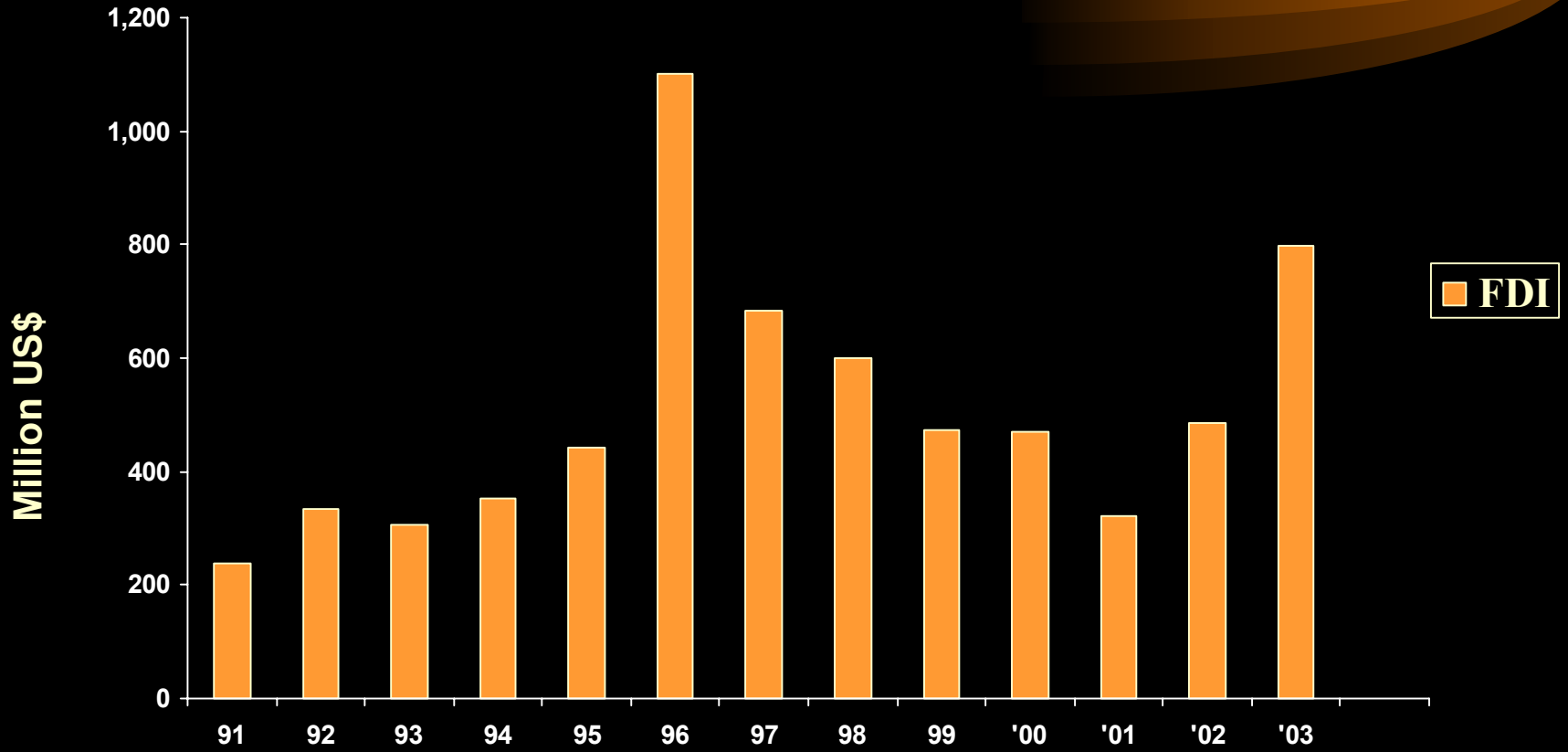
Private Sector Investment in Infrastructure – source ADB



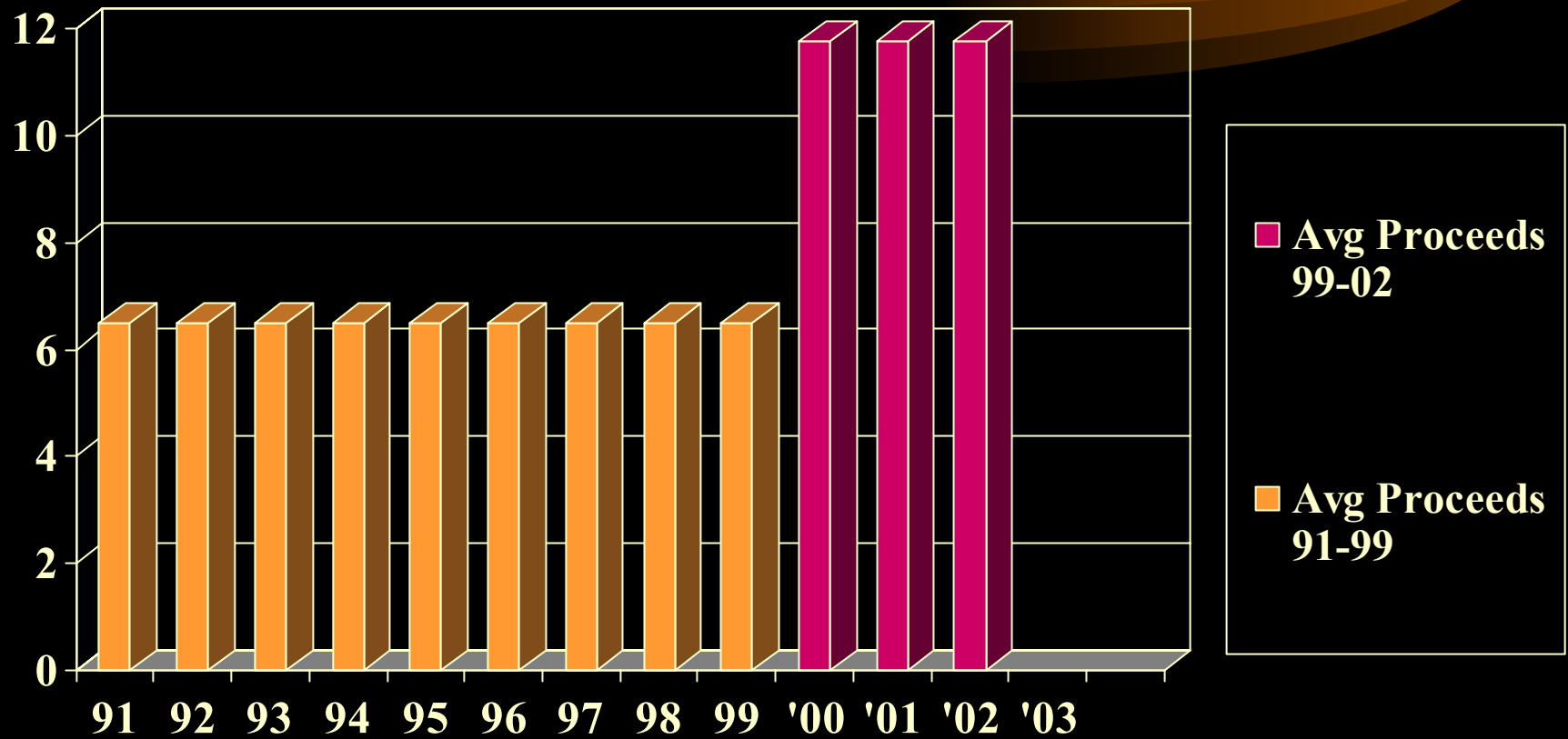


*Lack of Private Sector
Investment in Infrastructure
Connected to Other
Long Term Trends in FDI and
Privatisation*

Low FDI



Slow Privatisation



Rs in Billions

Caused By ...



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

Situation Improving ...

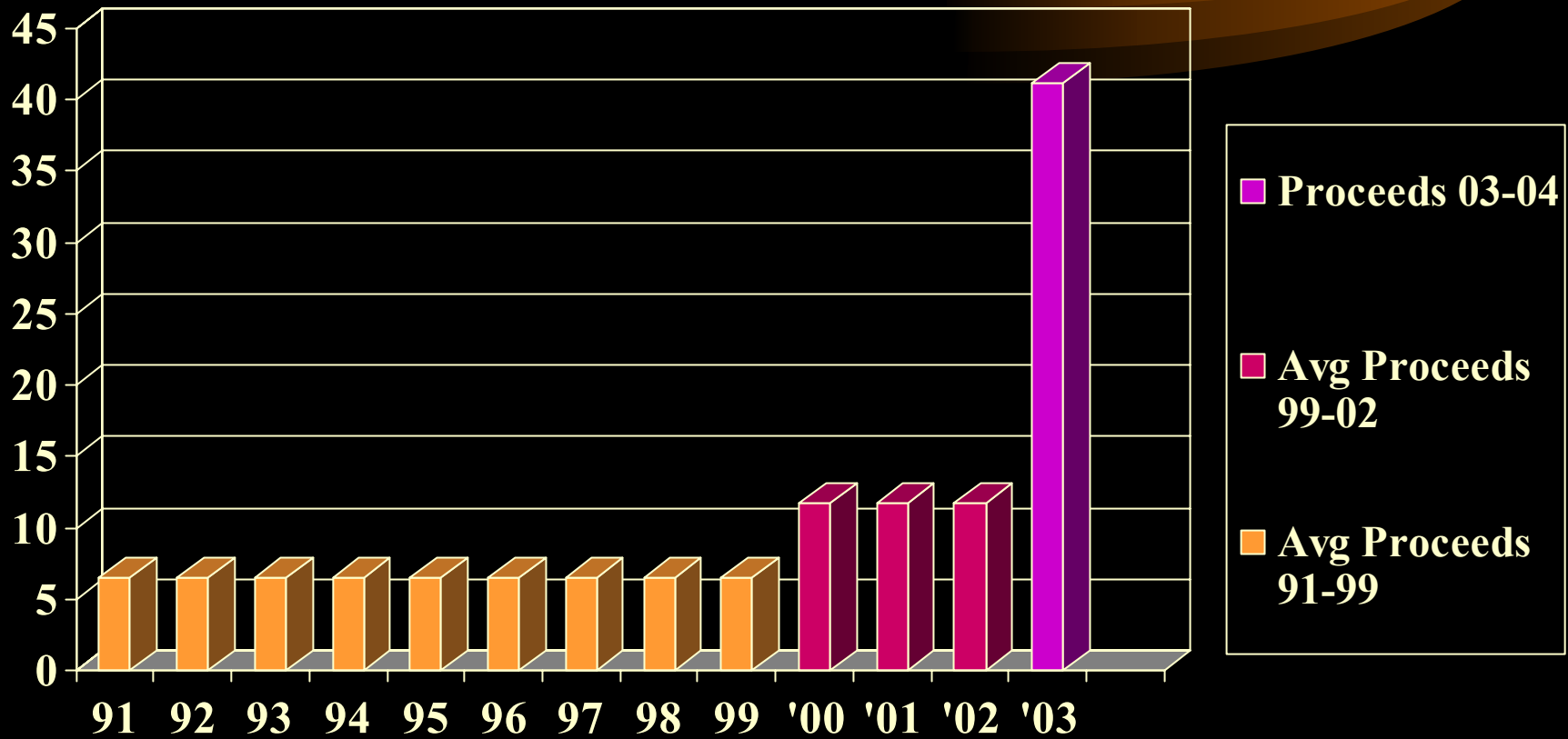


- Policy Regime Stable
- Pro Business Investment Policies
- Improved Regulation
 - Regulatory Bodies set up in various sectors: PTA, OGRA, NEPRA etc.
- Financial Sector & Capital Market Reform
 - Privatisation of the Financial Sector Successful
80% of Banking Sector in Private Hands

Results Beginning to Show

- Private Sector Credit – Increased from 75 billion in '02 to 225 billion in '03
- FDI – US\$ 798 million (Record Year after '95) 65% Increase
- Privatisation – Rs. 41.2 Billion (Record Year)

Results Beginning to Show - Privatisation



Rs in Billions

Selected Initiatives in Infrastructure

- Deregulation Policy in fixed line telephony announced and being implemented
- Cellular Policy Announced – Award of 2 Licenses being processed (33 EOIs received)
- New Licenses for OMCs being Issued
- Policy for Power Generation Projects: Proposals of Cumulative Generation Capacity of 5,332 MW received
- ADB Project for Private Sector Infrastructure Support

Selected Initiatives in Infrastructure

(Contd.)

- Desalination Plant in Karachi
- Urban Mass Transit System in Karachi
- Two New Airlines in Process of Being Launched: Pearl Air and Air Blue
- Sialkot Airport
- Oil & Container Terminals – Karachi Port
- Waste Management Project - Lahore

Selected Initiatives in Infrastructure

(Contd.)

- Privatisation of Major Entities in O&G, Electricity Distribution & Generation, Telecommunications including:
 - Karachi Electricity Supply Company
 - Faisalabad Electricity Supply Company
 - Jamshoro Power Plant
 - Peshawar Electricity Supply Company
 - Sui Northern Gas Company & Sui Southern Gas Company
 - Pakistan Telecommunications Company Limited
 - Pakistan State Oil Company
 - Pakistan Petroleum Limited



More Needs to be Done

Policy Regime



- **Stabilization Policies**

Reduced Fiscal Deficit
Reduced Current Account
Deficit
Market-based Exchange
Rate

- **Structural Reforms**

Tax Reforms
Tariff Reforms
Deregulation &
Privatization
Financial Sector and Capital
Market Reforms
Investment Policy Reforms
Improving Governance
Socio-political Reforms
Poverty Reduction
Programme

Liberal Investment Policy

- **Equal treatment to local & foreign investors**
- **All economic sectors open for FDI**
- **Foreign equity upto 100% allowed**
- **No Government sanction required**
- **Attractive incentive packages**
- **Remittance of royalty, technical & franchise fee allowed**
- **Network of Export Processing Zones**
- **Export Manufacturing Zero-rated**
- **Bilateral Agreements :**
 - **Investment Protection: 44 Countries**
 - **Avoidance of Double Taxation: 51 Countries**