



YEAR BOOK

2009-2010



GOVERNMENT OF PAKISTAN
PRIVATIZATION DIVISION
ISLAMABAD

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FOREWORD

Government of Pakistan attaches high priority to private sector development. The Government endeavours to provide level playing field and encourages local as well as foreign direct investment in all sectors of economy. Regulatory regime has improved and doing business has become more profitable in Pakistan over last few years. The Government believes that private sector is the engine of growth and the Government has no business to do business.

The World faced Financial Crisis during 2007 – 2009 and its effects are still putting some of the countries in desperate conditions. Pakistan is also a victim of these crises and had faced some difficulties in finding investments for privatisation of various SOEs. This global crisis compelled Government of Pakistan to review its privatisation policy of strategic sale (51%-100% shares) in order to model it around the concept of Public Private Partnership (PPP) wherein the management may be transferred to investors through sale of 26% shares while ensuring transparency and safeguard of other interests through comprehensive documentation.

One of the most important achievements of the Government of Pakistan is the implementation of Benazir Employees Stock Option Scheme (BESOS), offering thereby 12% stock options for the 86 public organizations to the employees of their respective organizations. It is expected that around 500,000 employees of 86 SOEs will be benefitted from this scheme.

The details are made part of this Year Book 2009-2010. Besides, this volume depicts broad features of privatisation policy being pursued by the Government and includes information about the organizational set up of the Ministry and the Privatisation Commission, a body corporate established under the Privatisation Commission Ordinance 2000. For further details, the reader may also refer to our website <http://www.privatisation.gov.pk>

Every effort has been made to make this book useful for the researchers, scholars and general readers. Nevertheless, any criticism, suggestion or observation to improve the year book will be welcomed.

Syed Naveed Qamar
Minister for Privatisation

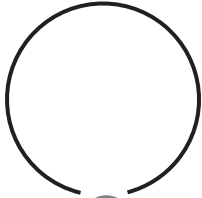
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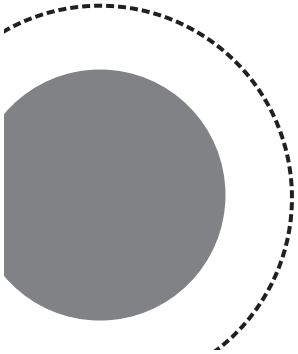
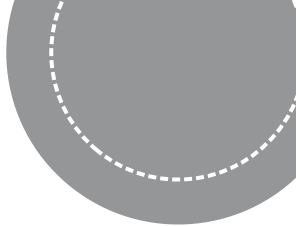
ABL	<i>Allied Bank Limited</i>
APSEWAC	<i>All Pakistan State Enterprises Workers Action Committee</i>
BESOS	<i>Benazir Employees Stock Option Scheme</i>
BOI	<i>Board of Investment</i>
CCI	<i>Council of Common Interests</i>
CCOP	<i>Cabinet Committee on Privatisation</i>
CDC	<i>Central Depository Company</i>
DCF	<i>Discounted Cash Flow</i>
DFIs	<i>Development Finance Institutions</i>
DR	<i>Depository Receipt</i>
ECO	<i>Economic Cooperation Organisation</i>
EMG	<i>Employees Management Group</i>
EOI	<i>Expression of Interest</i>
FA	<i>Financial Advisor</i>
FDI	<i>Foreign Direct Investment</i>
FESCO	<i>Faisalabad Electricity Supply Company</i>
GDR	<i>Global Depository Receipt</i>
GHS	<i>Golden Hand Shake Scheme</i>
GOP	<i>Government of Pakistan</i>
HBL	<i>Habib Bank Limited</i>
HEC	<i>Heavy Electrical Complex</i>
HLEG	<i>High Level Experts Group</i>
IPO	<i>Initial Public Offering</i>
ICP	<i>Investment Corporation of Pakistan</i>
KAPCO	<i>KotAddu Power Company</i>
KASB	<i>Khadim Ali Shah Bokhari</i>
KESC	<i>Karachi Electric Supply Corporation</i>
LOA	<i>Letter of Acceptance</i>
LPG	<i>Liquefied Petroleum Gas</i>
MCB	<i>Muslim Commercial Bank</i>
MRTA	<i>Management Right Transfer Agreement</i>
NBP	<i>National Bank of Pakistan</i>
NEPRA	<i>National Electric Power Regulatory Authority</i>
NGO	<i>Non-Governmental Organisation</i>
NITL	<i>National Investment Trust Limited</i>
NIRC	<i>National Industrial Relations Commission</i>
NPCC	<i>National Power Construction Company</i>
NPT	<i>National Press Trust</i>
NRL	<i>National Refinery Limited</i>
NWFP	<i>North Western Frontier Province</i>
OGDCL	<i>Oil and Gas Development Corporation Limited</i>
OGRA	<i>Oil and Gas Regulatory Authority</i>
OIC	<i>Organisation of Islamic Conference</i>

PARC	<i>Pakistan Agricultural Research Council</i>
PC	<i>Privatisation Commission</i>
PEs	<i>Public Enterprises</i>
PICIC	<i>Pakistan Industrial Credit and Investment Company</i>
PIA	<i>Pakistan International Airlines</i>
PKR	<i>Pakistani Rupee</i>
PMDC	<i>Pakistan Mineral Development Corporation</i>
PMTF	<i>Pakistan Machine Tool Factory</i>
PO	<i>Public Offering</i>
PPL	<i>Pakistan Petroleum Limited</i>
PPP	<i>Public Private Partnership</i>
PSMC	<i>Pakistan Steel Mills Corporation</i>
PSO	<i>Pakistan State Oil</i>
PTCL	<i>Pakistan Telecommunications Company Limited</i>
PTDC	<i>Pakistan Tourism Development Corporation</i>
Pvt.	<i>Private</i>
RFP	<i>Request for Proposals</i>
RSOQ	<i>Request for Statement of Qualifications</i>
SBP	<i>State Bank of Pakistan</i>
SITE	<i>Sindh Industrial Trading Estate</i>
SME	<i>Small and Medium Enterprises</i>
SNGPL	<i>Sui Northern Gas Pipelines Limited</i>
SOEs	<i>State Owned Enterprises</i>
SOQ	<i>Statement of Qualifications</i>
SPA	<i>Share Purchase Agreement</i>
SPO	<i>Secondary Public Offering</i>
SSGC	<i>Sui Southern Gas Company</i>
SPV	<i>Special Purpose Vehicle</i>
UAE	<i>United Arab Emirates</i>
USA	<i>United States of America</i>
US\$	<i>US Dollar</i>
UBL	<i>United Bank Limited</i>
VSS	<i>Voluntary Separation Scheme</i>
WAPDA	<i>Water and Power Development Authority</i>



Chapter 1

PRIVATISATION ●
DIVISION

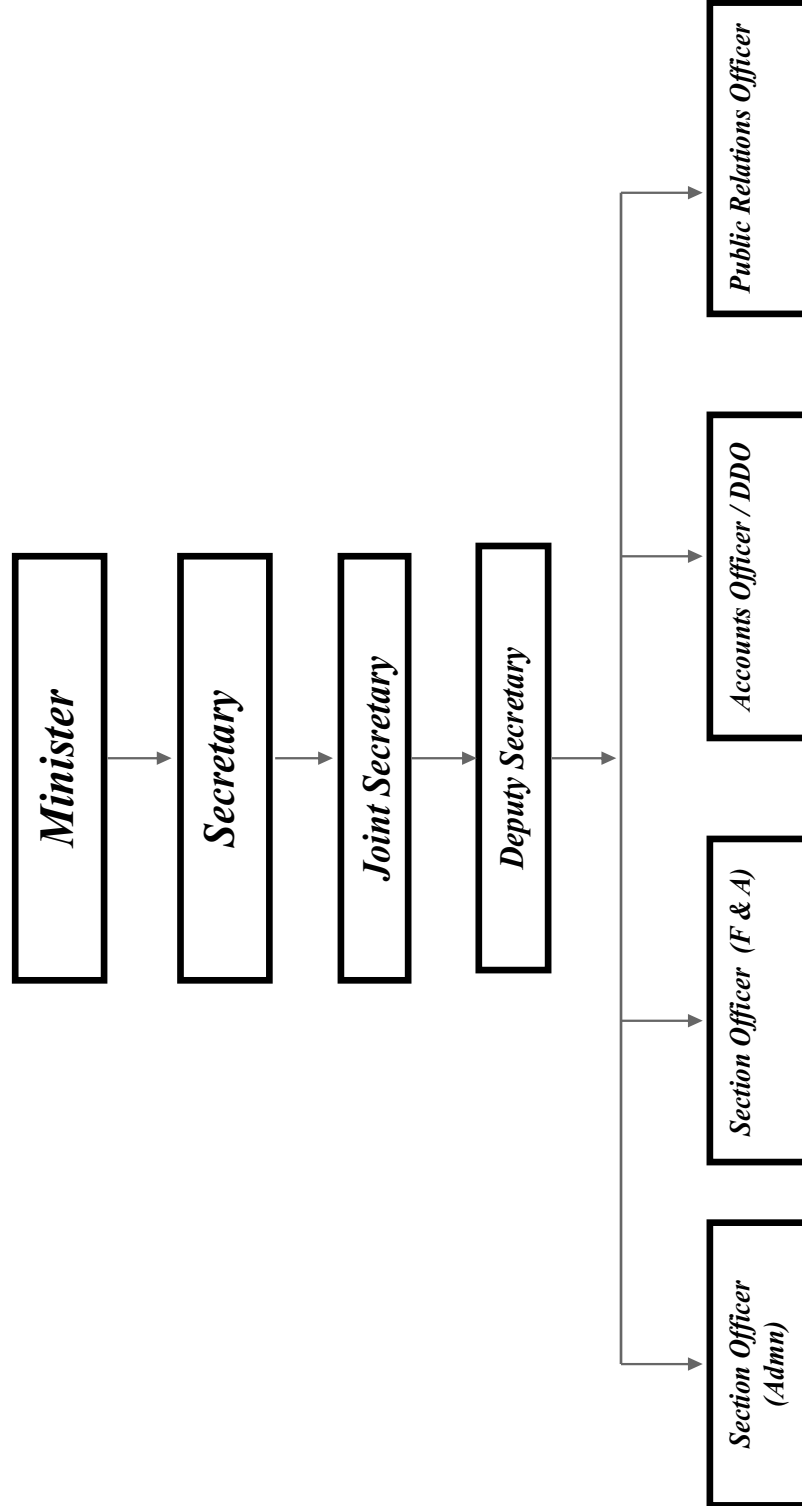


PRIVATISATION DIVISION

Introduction

The Ministry of Privatisation was created on 28th November, 2000. This was a sequel to PC Ordinance 2000 which by strengthening and expanding the scope of Privatisation Commission (PC) necessitated the creation of a separate ministry (Prior to it, PC had been working as a part of Finance Division since its inception a decade earlier in 1991). Two years later in November 2002, the scope of Ministry was expanded by attaching the Board of Investment. This was prompted by the consideration to couple privatisation with the inflow of foreign and domestic investments. The name however was not changed till September 2004 when it was renamed as Ministry of Privatisation & Investment. The Division was later bifurcated on 30.10.2007 into Privatisation Division and Investment Division, under the same Ministry. The Investment Division was later made a separate Ministry on 8th December, 2008.

ORGANOGRAM OF PRIVATISATION DIVISION

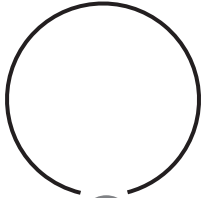


MANAGEMENT INFORMATION

The Privatisation Division consists of 74 posts in various categories during the year under review. Details are as under (Table 1): -

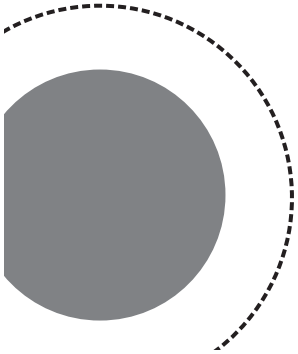
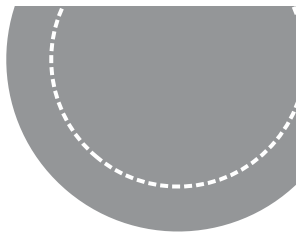
WORKFORCE OF THE PRIVATISATION DIVISION

S#	Name of Posts	BPS	No. of Posts
1.	Secretary	22	1
2.	Joint Secretary	20	1
3.	Deputy Secretary	19	1
4.	Section Officer	17/18	2
5.	Public Relations Officer	17/18	1
6.	Accounts Officer/DDO	17/18	1
7.	Private Secretary	17/18	4
8.	Superintendent	16	1
9.	Stenographer	15	8
10.	Assistants	14	5
11.	Steno typist	12	4
12.	Telex/Fax Operator	11	1
13.	UDC	9	2
14.	Telephone Operators	7	2
15.	Record Sorter	7	1
16.	LDC	7	10
17.	Staff Car Drivers	5	5
18.	Despatch Rider	5	2
19.	Qasids	3	3
20.	Daftari	3	1
21.	NaibQasids/Farash	2	16
22.	Sweepers	2	2
Total			74



Chapter 2

PRIVATISATION ●
COMMISSION



PRIVATISATION COMMISSION

Introduction

On January 22nd 1991, the Privatisation Commission was established as a sub-branch of the Finance Division. Later on September 28th 2000, the Government approved the Privatisation Commission Ordinance 2000.

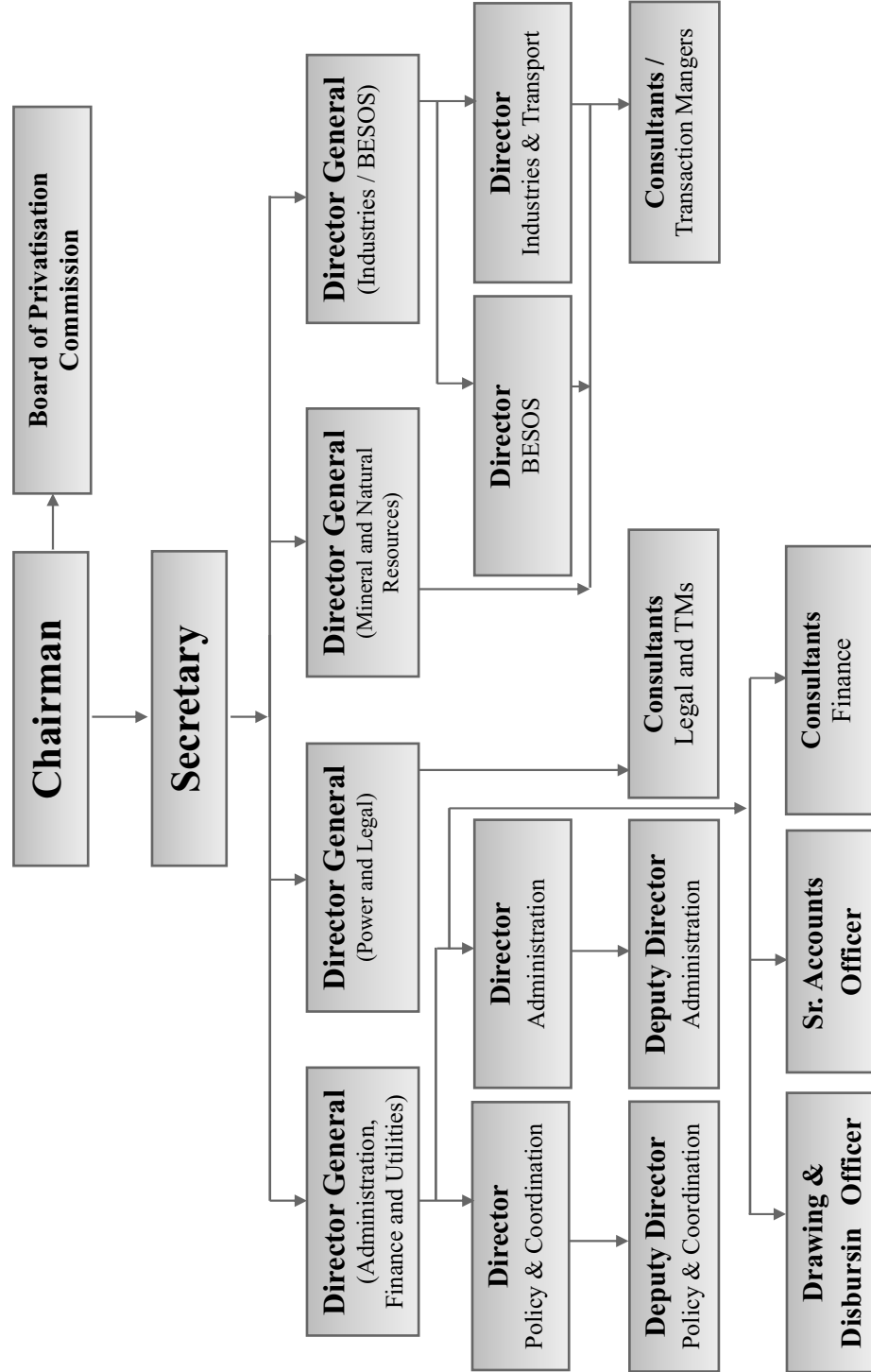
As a result of this Ordinance, the Privatisation Commission converted into a sovereign corporate body. This strengthened its legal authority for implementing the Government's Privatisation Policy.

In November 2000, the Ministry of Privatisation was created. The basic vision behind the creation of this ministry was the enhancement of privatisation within the country and the facilitation of privatisation transactions.

Two years later, in November 2002 the scope of the Ministry was enhanced to include local as well as foreign investment into the scope of the Ministry. Board of Investment was thus attached to the Ministry and the Ministry was renamed as Ministry of Privatisation and Investment on 4th September 2004.

The Division was later divided on 30th October, 2007 into Privatisation Division and Investment Division. But since 8th December, 2008, the Investment Division comes under a separate Ministry.

ORGANIZATION CHART



MANAGEMENT INFORMATION

Privatisation Commission (PC) is the main executing body of Privatisation Division tasked to implement the Privatisation Policy of the Government. PC is headed by the Chairman who is also the Chairman of the Board of the Privatisation Commission. Currently Minister for Privatisation is holding the portfolio of the Chairman, while the Secretary, Privatisation Division is working as Secretary, Privatisation Commission.

The human resource of the Privatisation Commission comprises of civil service officers, consultants / transaction managers and support staff. In addition to eighteen consultants / transaction managers, following regular civil service officers / officials are on the strength of the Privatisation Commission (Table 2):

WORKFORCE OF THE PRIVATISATION COMMISSION

S No.	Name of Posts	BPS	No. of Posts
1.	Secretary	22	1
2.	Directors General	21/20	4
3.	Directors	19	4
4.	Deputy Directors	18	3
5.	Public Relation Officer	18	1
6.	Accounts Officers/DDO	17/18	2
7.	Private Secretaries	17/18	3
8.	Sr. Technical Assistant	17	3
9.	Accountant	16	1
10.	Superintendent	16	1
11.	Technical Assistant	16	17
12.	Stenographers	15	14
13.	Assistants	14	11
14.	Senior Auditors	14	2
15.	U.D.Cs	9	3
16.	Telex/Fax Operator	7	1
17.	Telephone Operator	7	2
18.	Record Sorter	7	1
19.	L.D.Cs/Typists	7	13
20.	Staff Car Drivers	5	7
21.	Despatch Riders	5	2
22.	Photostat Machine Operator	5	2
23.	Daftry	3	1
24.	Qasids	3	2
25.	NaibQasids	2	21
26.	Sweepers	2	3
Total:			125

CONSULTANTS / TRANSACTION MANAGERS

Privatisation, especially of major entities, is a technical and complex activity requiring inputs from highly qualified and experienced professionals. PC has, therefore, hired professionals from the private sector designated as Consultants who are undertaking the privatisation transactions. The basic criteria for appointment of Consultants is strong academic background, specialised skills and experience in the relevant field like business administration, economics, commerce, finance, accounting and law etc. depending upon the nature of the transactions. Consultants engaged have quality experience in the private sector institutions. The privatisation transactions are being processed by the Transaction Managers whereas technical and legal support is provided by other Consultants. The Consultants have further improved their knowledge and experience by working in the PC. Their services are being utilized efficiently and effectively by the PC. Their services can be useful to any organization in country/abroad dealing with privatisation.

Typical tasks for in-house consultants / transactions managers include preparing the terms of reference and hiring external consultants/advisors, overseeing and assisting the external consultants to ensure timely submission of deliverables, liaising with the relevant ministry staff, regulators, and management of the entity being Privatised, and advising on sectoral policies and regulatory frameworks related to privatisation. In-house consultants/transaction managers are also involved in providing legal, accounting, and public technical support.

BOARD OF PRIVATISATION COMMISSION

The Board of Privatisation Commission was constituted under Section 6 of the PC Ordinance, 2000.

One of the main functions of this Board is to make strategic decisions for the Privatisation Commission. The Chairman of the Privatisation Commission heads the Board. Apart from that, it comprises of fifteen other regular members.

The Chairman and the Secretary are the only representatives from the Government in the Board, while the rest of the members are prominent professionals from the Private Sector. The Board Members represent all the four provinces of the country.

BOARD MEMBERS

As on December 2010, the PC Board consists of the following members:-

List of Board Members
Government Members Chairman: 1. <i>Chairman, Privatisation Commission</i> Secretary: 2. <i>Secretary, Privatisation Commission</i>
Private Sector Members 1. <i>Justice (Retd.) Munir A. Sheikh</i> 2. <i>Dr. Masuma Hasan, ex-Cabinet Secretary</i> 3. <i>Mr. Shahab Anwar Khawaja, ex- Privatisation Secretary</i> 4. <i>Mr. Tariq Puri, Chairman, TDAP</i> 5. <i>Mr. Mahmood Nawaz Shah, Agriculturist</i> 6. <i>Mr. Tanvir Ahmad Sheikh, Industrialist</i> 7. <i>Mr. Farid Malik, Chartered Financial Analyst (CFA)</i> 8. <i>Mr. Asif Kamal, Chairman, Trust Investment Bank Limited</i> 9. <i>Mr. Khurshid Zafar, EVP, Askari Bank Limited</i> 10. <i>Mr. Ali Siddiqui, J.S. Bank</i> 11. <i>Mr. Atif Salman, Lawyer</i> 12. <i>Mr. Saifullah Magsi, Lawyer</i> 13. <i>Syed Feroz Jamal Shah Kakkahel, Lawyer</i> 14. <i>Dr. Syed Mansoor Hussain, Medical Specialist</i> 15. <i>Syed Asghar Ali Shah, Businessman</i>

CABINET COMMITTEE ON PRIVATISATION (CCOP)

The Cabinet Committee on Privatisation was established along with the Privatisation Commission in 1991. Since then, it has been functioning continuously except for the period from September 1998 to February 2000, when a Privatisation Board of Pakistan headed by the Prime Minister was formulated.

The basic aim of CCOP is to formulate a set of rules for the Privatisation Commission to follow. Other than that, it serves as a forum for taking macro-level decisions on Privatisation and to facilitate and review the level of progress in privatisation. All the major decisions taken in the privatisation process are brought through this Committee for approval.

Initially, the CCOP was headed by the Minister for Finance. Then on 21st September 2004, the Prime Minister reconstituted the Cabinet Committee on Privatisation to be chaired by him. But since 15th November 2008, it is headed by Advisor to PM on Finance, Revenue, Economic Affairs and Statistics. Currently it is headed by the Minister for Finance, Revenue, Economic Affairs and Statistics.

Terms of Reference of CCOP

- *To formulate the Privatisation Policy for approval of the Government / Cabinet.*
- *To approve the State Owned Enterprises to be privatised on the recommendation of the PC or otherwise.*
- *To take policy decisions on inter-ministerial issues relating to the privatisation process.*
- *To review and monitor the progress of privatisation.*
- *To instruct the PC to submit reports/information/data relating to the privatisation process or any matter relating thereto.*
- *To take policy decisions on matters pertaining to privatisation, restructuring, deregulation, regulatory bodies and Privatisation Fund Account.*
- *To approve the Reference Price in respect of the State Owned Enterprises being privatised.*
- *To approve the successful bidders.*
- *To consider and approve the recommendations of the PC on any matter.*
- *To assign any other task relating to privatisation to the PC.*

Composition of the CCOP

The following table shows the current composition of the CCOP:

1.	<i>Minister for Finance, Economic Affairs and Revenue</i>	<i>Chairman</i>
2.	<i>Minister for Commerce</i>	<i>Member</i>
3.	<i>Minister for Industries and Production</i>	<i>Member</i>
4.	<i>Minister for Information Technology and Telecommunications</i>	<i>Member</i>
5.	<i>Minister for Labour, Manpower and Overseas Pakistanis</i>	<i>Member</i>
6.	<i>Minister for Petroleum and Natural Resources</i>	<i>Member</i>
7.	<i>Minister for Ports and Shipping</i>	<i>Member</i>
8.	<i>Minister for Privatisation</i>	<i>Member</i>
9.	<i>Minister for Textile Industry</i>	<i>Member</i>
10.	<i>Minister for Water and Power</i>	<i>Member</i>

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

1.	<i>Deputy Chairman Planning Commission</i>
2.	<i>Governor, State Bank of Pakistan</i>
3.	<i>Chairman, Security Exchange Commission of Pakistan</i>
4.	<i>Adviser to the Prime Minister on Energy</i>
5.	<i>Chairman, Board of Investment</i>
6.	<i>Secretary, Communications Division</i>
7.	<i>Secretary, Finance Division</i>
8.	<i>Secretary, Industries and Production</i>
9.	<i>Secretary, Information Technology and Telecommunications</i>
10.	<i>Secretary, Investment Division</i>
11.	<i>Secretary, Labour and Manpower Division</i>
12.	<i>Secretary, Law, Justice and Human Rights Division</i>
13.	<i>Secretary, Petroleum and Natural Resources</i>
14.	<i>Secretary, Privatisation Division</i>
15.	<i>Secretary, Textile Industry Division</i>
16.	<i>Secretary, Water and Power Division</i>

CABINET COMMITTEE ON RESTRUCTURING (CCOR)

The Prime Minister on 21st January, 2010 constituted a Cabinet Committee on Restructuring (CCoR) of Public Sector Enterprises (PSEs) to eliminate the financial bleeding of the country due to loss making institutions. The committee consists of the following members:-

1.	Minister for Finance, Revenue, Economic Affairs and Statistics	Chairman
2.	Minister for Law, Justice and Parliamentary Affairs	Member
3.	Minister for Privatisation	Member
4.	Minister of State for Finance and Economic Affairs	Co-opt Member
5.	Deputy Chairman, Planning Commission	Co-opt Member

The committee has been empowered to co-opt any other professional, as required. The provincial representatives may also be associated with the committee for taking them on board.

The Terms of Reference (ToRs) of the Committee are as under:-

- To restructure the Boards and Management of the PSEs
- To direct the Boards to prepare and present restructuring plans
- To review and monitor implementation plans on a quarterly basis.

The following framework has been suggested for restructuring effort:

- i. Formation of an independent and professional Board of Directors (BODs) in each PSE.
- ii. Hiring of professional CEOs (nominated by the respective BODs).
- iii. Approved restructuring Plans of respective PSEs.
- iv. Start implementing of approved restructuring plans under the new independent BODs

In the first phase, the following eight PSEs in Pakistan are being considered for restructuring:-

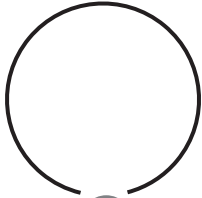
- i) Pakistan Railways
- ii) Pakistan Electric Power Company (PEPCO)
- iii) Pakistan International Airlines (PIA)
- iv) Pakistan Steel
- v) National Highway Authority (NHA)

- vi) Utility Stores Corporation (USC)
- vii) Trading Corporation of Pakistan (TCP)
- viii) Pakistan Agricultural Storage and Services Corp. (PASSCO)

The Cabinet Committee on Restructuring would opt for restructuring of Board of Directors and Management of these PSEs in the first phase. It is would be a continuous process and the Cabinet Committee on Restructuring along with Economic Advisory Council would monitor this ongoing process. Services of market professionals would be hired and professional management in the shape of CEOs or MDs would be appointed in the PSEs.

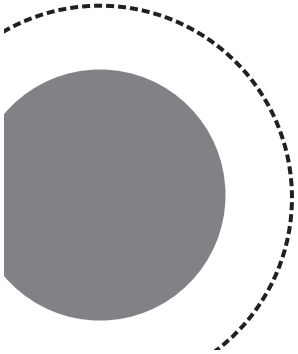
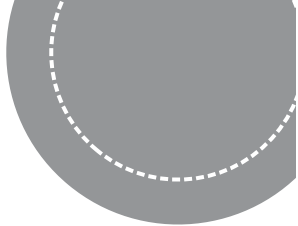
Privatisation Commission (PC) is actively working with Ministry of Finance for the successful implementation of the charter of CCoR, especially for the restructuring of Pakistan Railways, Pakistan International Airlines (PIA), Pakistan Steel, National Highway Authority (NHA), Utility Stores Corporation (USC) and Trading Corporation of Pakistan (TCP).

*All the PSEs are included in the Privatisation Program and as soon as they are operationally and financially viable after successful restructuring, they will be considered for privatisation, as it is a fact that **“the Government believes that private sector is the engine of growth and the Government has no business to do business”**.*



Chapter 3

PRIVATISATION ●
POLICY



PRIVATISATION POLICY

With the passage of time, the privatisation process in Pakistan has slowly and gradually moved from simple to complex sectors. During this whole period, the privatisation policy has continuously been reviewed and amended in order to ensure a transparent and competitive privatisation process. It is, without a doubt, the result of this immaculate Privatisation Policy of the country that Pakistan has witnessed the practice of an era of efficient and effective privatisation.

The New Privatisation Policy

The global as well as national conditions compelled Privatisation Commission to review its privatisation policy of strategic sale (51%-100% shares) in order to re-model it around the concept of Public Private Partnership (PPP) wherein the management may be transferred to investors through sale of 26% shares while ensuring transparency and safeguard of other interests through comprehensive documentation.

The main objective of Privatisation Policy through PPP model is to put national resources and assets to optimal use, particularly to unleash the productive potential inherent in Pakistan's State Owned Enterprises (SoEs). The policy of Privatisation specifically aims at enhancing the value of Government shareholding, maximization of profits, modernization and up-gradation of State Owned Enterprises; exploration and creation of new assets; management and technological transfer benefit, increasing investments in the SoEs by identifying business benchmarks and outputs, remedial measures, and generation of employment. Government would continue to ensure that divestment does not result in alienation of national assets and reduction in quality of production and service detrimental to its people. In this regard the Cabinet Committee on Privatisation and the Cabinet had approved a comprehensive Privatisation Plan through Public Private Partnership.

The Salient Features of PPP Mode are as under:-

- i) As a policy, privatisation will be conducted in the PPP mode for 26% of the equity stake. In order to enhance value of GoP shareholding, maximization of profits, modernization and up-gradation of state enterprises, creation of new assets and management and technological transfer benefits will be ensured by identifying business benchmarks and outputs in order to ensure maximum benefit from these transactions.*
- ii) To carry out a two stage prequalification structure including a contractually binding business plan and provisions with regard to management, default, termination, penalties and dispute resolution will be formulated.*
- iii) The agreements will have to be restructured on a case to case basis. Additional documentation will have to be carried out for implementation*

- agreements, facilitation agreements, management lease, concession agreements and guarantee agreements etc.*
- iv) To provide protection to the employees post-privatisation.*
 - v) The management arrangement will have to be made in such a way that GoP Directors would, through contractual arrangements provide oversight in a joint consultative body comprising strategic investors and GoP nominees.*
 - vi) Exit options for GoP, transfer restrictions and lock in period for strategic investors.*
 - vii) Remedies to GoP in case of right of first refusal and put options including mechanism of sale to third party.*
 - viii) While divesting residual shareholding of the Government in future divestment, the post privatisation performance of the entities and market conditions including approval of relevant regulatory bodies will be considered. It will also be ensured that agreed benchmarks for performance are made by the strategic investors for consideration for further divestment. Where found expedient, the entity will be listed before adoption of the PPP privatisation mode to benefit, from amongst others, capital market price discovery mechanism.*
 - ix) Comprehensive contractual regime working under the enabling provisions of the law would be put in place to ensure innovative PPP structure reflecting best international industry practices.*
 - x) Where possible, manner, methodology and mechanism of PPP structure may be framed after consultative process and due approval of the Board of the PC.*
 - xi) In order to achieve the most optimal results, in-house capacity will be made formidable through recruitment capacity building and continued learning.*
 - xii) 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.*

The Cabinet Committee on Privatisation (CCOP) has approved the new Privatisation Policy and the Cabinet has also ratified the same. A list of 23 entities to be privatised under the policy was also approved for rapid implementation.

Sr. #	Transaction
1.	<i>SME Bank Limited</i>
2.	<i>National Power Construction Company (NPCC)</i>
3.	<i>Faisalabad Electric Supply Co. Ltd</i>
4.	<i>Jamshoro Power Co. (GENCO)</i>
5.	<i>KOT ADDU Power Company Thru GDR</i>
6.	<i>Heavy Electrical Complex</i>
7.	<i>Pakistan Post (Financial Services)</i>
8.	<i>Pakistan Machine Tool Factory</i>
9.	<i>Printing Corporation of Pakistan</i>
10.	<i>PTDC Motels and Restaurants</i>
11.	<i>Pakistan Mineral Development Corporation (PMDC)</i>
12.	<i>Morafco Industries Limited</i>
13.	<i>Sind Engineering Limited</i>
14.	<i>Republic Motors</i>
15.	<i>Services International Hotel</i>
16.	<i>Peshawar Electrical Supply Company (PESCO)</i>
17.	<i>Quetta Electrical Supply Company (QESCO)</i>
18.	<i>Hyderabad Electrical Supply Company (HESCO)</i>
19.	<i>Pakistan Railways</i>
20.	<i>National Insurance Company</i>
21.	<i>Pakistan Reinsurance Company</i>
22.	<i>State Life Insurance Company</i>
23.	<i>Utility Stores Corporation and Stores</i>

PRIVATISATION PROCESS

The privatisation process, which is aimed at selling government property in an open and transparent way with a view to obtaining the best possible price, 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 Board of the Privatisation Commission decides as to what kind of process will be followed.

The Privatisation Process generally comprises of the following steps:

1. Identification of an entity to be privatised.
2. Approval by the CCI.
3. CCOP / Cabinet approval.
4. Hiring of Financial Advisor (FA) or Valuator.
5. Due diligence by the FA / Valuator.
6. Privatisation strategy.
7. Enacting sectoral reforms (if required).
8. Valuation of Property.
9. Expressions of Interest (EOI).
10. Statement of Qualification (SOQ).
11. Pre-Bid Process.
12. Pre-qualification.
13. Due diligence by potential bidders.
14. Value approved by the PC Board and CCOP.
15. Pre-bid conference.
16. Bidding process approval by PC Board and CCOP.
17. Open bidding.
18. Price approval by PC Board and CCOP.
19. Letter of acceptance to successful bidder.
20. Management Transfer (after 100% receipt of payment).

DESCRIPTION

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

➤ Identification

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

The Summary

justifies the need for privatising the property, outlines the likely mode of privatisation, and sometimes seeks guidance on issues relating to such matters as:

- ♦ *pricing,*
- ♦ *restructuring,*
- ♦ *legal considerations, and*
- ♦ *the regulatory framework.*

Once endorsed by the Board, it is submitted to the Cabinet or its subcommittee, the Cabinet Committee on Privatisation, for approval.

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

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

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

The evaluation team scores the technical proposals and the highest ranked firm based on both technical and financial scores is invited for contract negotiations and signing.

In November 2001, the Board approved regulations for hiring a financial advisor in order to make more transparent the procedures that were largely being followed over the last decade Hiring of Financial Advisor Regulations 2001.

In other transactions, a Valuator is hired according to the Hiring of Valuators Regulation 2001. This regulation was amended by the Privatisation Commission in 2007.

➤ **Due Diligence**

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

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

For most industrial units and some small transactions, this is done using in-house transaction managers and staff, or by sub-contracting out part of the work to a domestic legal, technical, or accounting firm.

However, for major privatisations in banking, infrastructure, or utilities, the FA carries out this function. Following due diligence, the FA finalises the privatisation plan. This may include recommendations on any needed restructuring, in addition to specifying the amount of shares or assets to be privatised. For major privatisations or when the proposed privatisation mode is different from the initial plan, the plan is then submitted to the Board, the CCOP, or the full Cabinet for approval.

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

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

In addition to rules determining prices or tariffs, there may be rules determining standards, penalties for non-compliance, the extent, form and timing of any proposed deregulation, and the evolving structure of the market following liberalisation. Clarification of these rules and passage of needed laws and regulations will often be 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 Commission relies primarily on external firms. The Financial Advisor, where there is one, carries out the valuation to obtain a "reference price" for the property. In other cases, the Commission contracts with an external valuation firm or accounting firm as specified in the rules on the valuation of property, which can be obtained from the PC website. The methods used for the valuation vary with the type of business and often more than one method is used in determining the value. These include the discounted cash flow method, asset valuation at book or market value, and stock market valuation. Despite using scientific methods, valuation remains more an art than a science. The true value is dependent on many difficult to quantify variables such as country risk, corporate psychology and strategy, and perceptions of future macroeconomic performance. Only the market can determine the true value. Therefore it is important to focus on designing appropriate transaction structures, on advertising in relevant media, in choosing and implementing appropriate pre-qualification criteria for bidders, and in following an appropriate bidding process to obtain a fair price for the privatisation.

➤ **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 then given a specified period to conduct their own due diligence, following which they are invited to a pre-bid conference where their questions and concerns can be addressed. The meeting is useful in determining the bidding procedure to be followed (for example, open auction, sealed bids, or some combination) and could even determine the proportion of shares that the Government may want to offload. The bidding itself is done openly, with all bidders and media invited.

➤ **Post-bid Matters**

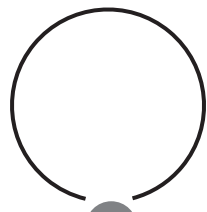
Following bidding and identification of the highest bidder, the Board of the PC makes a recommendation to the CCOP as to whether or not to accept the bid. The reference price is a major determinant in the recommendation, although the Board may recommend the sale even if the offer price is below the reference price. Once the bid price and bidder are approved, the PC issues a letter of acceptance or a letter of intent to the successful bidder, indicating the terms and conditions of the sale. Following negotiations with the bidder, the PC then finalises the sale purchase agreement, collects the sale proceeds, and transfers the property. Under PC's current policy, privatisation proceeds are required to be paid upfront rather than over time, as had been the case for many earlier transactions. Within 30 days of the sale, the PC is required to publish the summary details of the transaction in the official gazette. Three transactions, namely LPG business of SSGC, LPG business of SNGPL and divestment of shares of MCB, were published in the gazette in 2001.

Summary of the Process

In nutshell, the privatisation process is lengthy for major transactions, mainly to assure transparency in the process. After receiving CCOP approval for the privatisation, it typically takes about 18 months to close a major transaction, even when no major restructuring of the company is required see chart. This includes about six or seven months to appoint a Financial Advisor and another three or four

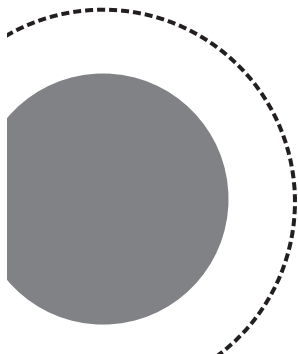
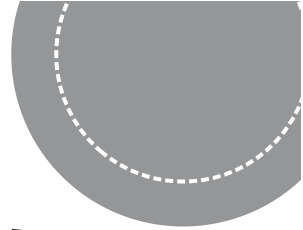
months for the FA to complete its legal, technical and financial due diligence and to propose a privatisation strategy.

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



Chapter 4

***ACHIEVEMENTS
OF PC***



ACHIEVEMENTS OF PRIVATISATION COMMISSION

One of the biggest achievements of Privatisation Commission has been the development of a productive and evolving Privatisation Policy and the successful implementation of this program. This is being said due to the fact that Pakistan's Privatisation Program has proved to be the most successful program in whole of South Asia, Central Asia and the Middle East.

In less than two decades of its operation, the Privatisation Commission has successfully managed to complete approximately 167 Privatisation Transactions, while generating revenue of over \$9bn (Rs. 476,421.2 million).

100% of the State-Owned Enterprises in the chemical, textile, nitrogen fertilizer, phosphate fertilizer, cement, rice, roti and light engineering have been privatised. Apart from that, 98% of the automobile industry and 96% of ghee mills have also been successfully Privatised.

Pakistan's banking industry has also been substantially Privatised, due to which 80% of the banking sector is now under private ownership. This has resulted in a more efficient banking system within the country and has shown significant transformation in the revenues of these newly Privatised banks.

Privatisation Transactions since 1991

Since its inauguration in 1991, the Privatisation Commission has completed 167 transactions with revenue of over Rs. 476,212.2million. Details are as follows:

Sector	No of transactions	Proceeds (Rs M)
<i>Banking</i>	<i>7</i>	<i>41,023</i>
<i>Capital market</i>	<i>22</i>	<i>133,124</i>
<i>Energy</i>	<i>14</i>	<i>51,756</i>
<i>Telecom</i>	<i>4</i>	<i>187,360</i>
<i>Automobile</i>	<i>7</i>	<i>1,102</i>
<i>Cement</i>	<i>17</i>	<i>16,178</i>
<i>Chemical and Fertilizer</i>	<i>23</i>	<i>41,922</i>
<i>Engineering</i>	<i>7</i>	<i>183</i>
<i>Ghee Mills</i>	<i>24</i>	<i>843</i>
<i>Rice and Roti Plants</i>	<i>23</i>	<i>324</i>
<i>Textile</i>	<i>4</i>	<i>371</i>

<i>Newspapers</i>	5	271
<i>Tourism</i>	4	1,805
<i>Others</i>	6	159
Total	167	476,421

ACTIVITIES IN 2009 - 10

The Ministry / Commission are actively pursuing to privatize the 23 entities to be undertaken through PPP Mode. The implementation is currently at skeleton stage, since this is a new concept and it requires various cumbersome issues i.e. transaction structure, financial / operational restructuring, land issues etc. to be resolved before taking them to the market.

The economic recession has also obliged the Ministry to analyze its past in order to evaluate various pitfalls faced. The Ministry / Commission are actively pursuing various pending cases like recovery of receivables from buyers of various past transactions.

In the meantime, the Commission has successfully managed to resolve the Payables in respect of Acquisition of Wah Cement Company Limited (WCCL). A comprehensive brief on the matter is as under:-

Resolution of Payables in Respect of Acquisition of Wah Cement Company Limited

90% shares of Wah Cement Company Ltd (WCCL) were sold to M/s. Wah Cement Company Employees Management Group (WCCEMG) at the total sale price of Rs.2,752.097 million in February, 1996. WCCEMG changed hands and the management and control of the Company transferred to M/s. Askari Cement Ltd (ACL). The buyer paid Rs.1,100.838 million as 40% of the sale price and provided bank guarantee for the balance 60% at the time of signing of the Sale agreement. Subsequently, disputes arose with regard to audit adjustment, assets of the company etc, litigation ensued and the buyer defaulted on further payment.

Despite efforts through negotiations as well as arbitration by Finance Secretary, the litigation in Lahore High Court continues. While the buyer paid Rs.2.445 billion, the following amount as per PC books remained pending against buyers as on 28.02.2010:-

Rs. In Million

Principal	Markup	Markup on markup
Rs.234.543	Rs.641.430	Rs.1648.374

As PC receivables had accumulated to Rs.7.571 billion against seventeen (17) buyers including ACL, a summary on the subject was submitted to CCOP proposing additional measures and concession like waiver from charging markup on markup as recommended by PC Board to expedite recovery of receivables. The

proposal was considered in CCOP in its meeting held on 23.07.2009 and it was, inter-alia, decided in case of ACL as follows:-

- i) Buyer would pay Rs.234.543 million immediately on account of balance sale price.
- ii) Simple markup @16% p.a. be charged on the outstanding principal amount
- iii) Markup on markup amounting to Rs.1,142.373 million as on 31st May, 2008 be waived off.
- iv) Askari Cement Limited would provide bank guarantee for the outstanding simple interest.
- v) It was further decided that Wah Cement company Limited/ Askari Cement would make payments within six months

Accordingly, ACL management was approached for a realistic proposal to arrange the payment of balance sale price and simple interest thereon. During the period, ACL made a number of proposals which were examined in PC secretariat but not found viable. To settle the pending issue, the Minister for Privatisation convened a meeting on 16.03.2010. The meeting was attended by Managing Director, Army Welfare Trust (AWT) and the representatives of PC, AWT and ACL.

The payment plan of the outstanding dues and the provision of bank guarantee were discussed in depth. It was noted that encashment of bank guarantees are often challenged in the courts for stay orders by the buyers and the concerned banks invariably refuse encashment of guarantees they have issued. This has been standard experience of PC in the past. After detailed deliberations, ACL proposed as below:-

- i) ACL will pay the principal amount of Rs.234.543 million immediately on signing of the agreement,
- ii) The balance payment of simple mark-up accrued till the date of payment of principal amount, be received through three (3) post-dated cheques in the name of Privatisation Commission. These cheques will be en-cashable at an interval of the six months. The entire amount thus will be paid in a period of eighteen (18) months from signing of agreement.

The PC Board in its meeting held on 18.03.2010 approved the proposals of settlement of payables by ACL. PC Board approved the signing of Settlement Agreement and payment of Rs.234,543 million by ACL/AWT. The balance payment of simple markup accrued till the date of signing of Settlement Agreement, was to be received through three post-dated cheques in the name of Privatisation Commission. The amount of mark up on mark up was waived in the light of CCOP decision dated 17.02.2009.

Accordingly, Settlement Agreement between ACL/AWT and Privatisation Commission was executed on 12.05.2010 and balance sale price amount of Rs.234,543,458/- has been realized. The balance simple markup amount of Rs.640,062,220/- will be received through three post-dated cheques en-cashable at an interval of six months each. ACL has handed over these three post-dated cheques drawn on Askari Bank, Rawalpindi. ACL, Wah and Privatisation Commission will jointly approach the Court and ACL Wah will withdraw their appeal against PC and on-going litigation for the last 15 years thus ended.

BENAZIR EMPLOYEES STOCK OPTION SCHEME

One of the most important achievements of Privatisation Commission is the implementation of Benazir Employees Stock Option Scheme (BESOS) by offering 12% stock options from the 80 public organizations to the employees of their respective organization, on the directions of Syed YousufRazaGilani, Prime Minister of Pakistan, who announced the scheme on 14th August, 2009. It is expected that around 500,000 employees of 86 SOEs will be benefitted from the said scheme. The Objectives of the scheme are as under:

- (i) Ensure Employees' participation in profits and increased worth of the entity*
- (ii) Enhance Employees' loyalty and commitment for improvement of efficiency of the entity*
- (iii) Enable the Employees to participate at highest level in decision making process.*

The Salient Features of BESOS are as under:-

- Empowerment of Employees of SOEs through transfer of twelve percent (12%) of the GoP shareholding and a seat on the Board.*
- All permanent Employees and contractual Employees (with minimum service of five years) are eligible for the Scheme and can only exit on retirement, or otherwise ceasing to be Employee of the SOE.*
- 500,000 Employees (approx) will benefit from the Scheme.*
- Twelve percent (12%) of the GoP shareholding to be transferred for free*
- SOE to create a Trust for the Scheme with token cash. The Board of Trustees to consist of Government Nominees and Employees representatives.*
- The Shares of respective SOE to be transferred to the Trust.*
- Trust to assign Units to Employees in proportion to their entitlement on the basis of length of service through Units Certificate.*
- Units Certificate are not saleable, however, these can be pledged or hypothecated.*
- Employees to surrender the Units Certificate to Trust on retirement, or otherwise ceasing to be an Employee.*
- Trust to make payment for surrendered Units.*
- Surrendered Units to be returned by Trust to Federal Government*
- GoP to guarantee buyback of surrendered Units.*
- Buyback price for exit purpose would be:*
 - the market value of the listed companies,*

- *break-up value at historical cost based on the last audited financial statements excluding re-valuation reserves for the un-listed and private limited companies,*
- *on net-worth based on the last audited financial statements excluding re-valuation reserves for SOEs established under Special Acts and Ordinance till such time they are corporatized.*
- *Employee representative on the Board to be nominated by GoP through Line Ministry / Holding Corporation on the recommendation of Trust. Such representative to be a chartered accountant or, a corporate lawyer or, an eminent professional having minimum professional experience of fifteen years or, a senior Government Official not below the status of a Joint Secretary.*
- *Trusts are entitled to receive dividends, if any, from the date of applicability of the Scheme.*

Classification of SOEs for implementation of BESOS is tabulated below.

Public Limited Companies (Listed)			
1	<i>Pakistan Petroleum Limited</i>	9	<i>Oil and Gas Development Company Limited</i>
2	<i>Pakistan State Oil Limited</i>	10	<i>Habib Bank Limited</i>
3	<i>Pakistan Reinsurance Company Limited</i>	11	<i>Karachi Electric Supply Company Limited</i>
4	<i>Pakistan Telecommunication Company Limited</i>	12	<i>Sui Northern Gas Pipeline Limited</i>
5	<i>Mari Gas Limited</i>	13	<i>Sui Southern Gas Pipeline Limited</i>
6	<i>Pakistan Engineering Company Limited</i>	14	<i>Pakistan International Airline Corporation</i>
7	<i>United Bank Limited</i>	15	<i>Pakistan National Shipping Corporation</i>
8	<i>National Bank of Pakistan</i>	16	<i>KotAddu Power Company Limited</i>

Public Limited Companies (Un-Listed)			
1	<i>Pakistan Television Corporation Limited</i>	18	<i>Industrial Development Bank</i>
2	<i>Lahore Electric Supply Company Limited</i>	19	<i>Central Power Generation Company Limited</i>
3	<i>Multan Electric Supply Company Limited</i>	20	<i>Saindak Metals Limited</i>
4	<i>Lakhra Power Generation Company Limited</i>	21	<i>Peshawar Electric Supply Company Limited</i>
5	<i>National Investment Trust Limited</i>	22	<i>Quetta Electric Supply Company Limited</i>

6	<i>Gujranwala Electric Power Company Limited</i>	23	<i>ZaraiTaraqati Bank Limited</i>
7	<i>Shalimar Recording and Broadcasting Corporation</i>	24	<i>Faisalabad Electric Supply Company Limited</i>
8	<i>First Woman Bank</i>	25	<i>Jamshoro Power Generation Company Limited</i>
9	<i>National Insurance Company Limited</i>	26	<i>National Construction Limited</i>
10	<i>Pak Arab Refinery Limited</i>	27	<i>SME Bank Limited</i>
11	<i>House Building Finance Corporation Limited</i>	28	<i>Lakhra Coal Development Company Limited</i>
12	<i>Islamabad Electric Supply Company Limited</i>	29	<i>Pakistan Tourism Development Corporation</i>
13	<i>Hyderabad Electric Supply Company Limited</i>	30	<i>National Transmission & Despatch Company Limited</i>
14	<i>Karachi Shipyard & Engineering Works Limited</i>	31	<i>Northern Power Generation Company Limited</i>
15	<i>Railways Constructions Pakistan Limited</i>	32	<i>Pakistan Railway Advisory and Consulting Services Limited</i>
16	<i>Associated Hotel of Pakistan Limited</i>	33	<i>Pakistan Agricultural Storage and Supply Corporation</i>
17	<i>Tribal Electric Supply Company Limited</i>		

Private Limited Companies

1	<i>Pakistan Machine Tool Factory Private Limited</i>	10	<i>Heavy Electrical Complex Private Limited</i>
2	<i>Sind Engineering Private Limited</i>	11	<i>Pakistan Security Printing Corporation Private Limited</i>
3	<i>Pakistan Steel Mills Corporation Private Limited</i>	12	<i>National Engineering Services of Pakistan Private Limited</i>
4	<i>National Power Construction Corporation Private Limited</i>	13	<i>Printing Corporation of Pakistan Private Limited</i>
5	<i>Overseas Employment Corporation Private Limited</i>	14	<i>Pakistan Mineral Development Corporation Private Limited</i>
6	<i>Telephone Industries of Pakistan Private Limited</i>	15	<i>Utility Stores Corporation Private Limited</i>
7	<i>Pakistan Tours Private Limited</i>	16	<i>PTDC Motels North Private Limited</i>
8	<i>Heavy Mechanical Complex Private Limited</i>	17	<i>Pakistan Steel Fabricating Company Limited</i>
9	<i>Pakistan Electric Power Company Private Limited</i>		

SOEs Not Incorporated Under the companies Ordinance, 1984

1	<i>Pakistan Broadcasting Corporation</i>	8	<i>National Telecommunication</i>
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			<i>Corporation</i>
2	<i>Karachi Port Trust</i>	9	<i>Pakistan Post Offices</i>
3	<i>National Logistic Cell</i>	10	<i>National Highway Authority</i>
4	<i>Pakistan Railways</i>	11	<i>Port Qasim Authority</i>
5	<i>Gawadar Port Authority</i>	12	<i>State Life Insurance Corporation of Pakistan</i>
6	<i>Export Processing Zone Authority</i>	13	<i>Civil Aviation Authority</i>
7	<i>Water and Power Authority</i>	14	<i>Hydrocarbon Development Institute of Pakistan</i>

So far, BESOS Scheme has been implemented in 35 SOEs, the details of which are as under:-

Sr. No.	Entity Name	Operating Ministry	No. of Employees Benefited
1.	<i>Heavy Mechanical Complex Taxila</i>	<i>Industries & Production</i>	887
2.	<i>Oil and Gas Development Company Ltd</i>	<i>Petroleum & Natural Resources</i>	10,148
3.	<i>Pakistan Petroleum Ltd.</i>	<i>Petroleum & Natural Resources</i>	2,698
4.	<i>Pakistan State Oil</i>	<i>Petroleum & Natural Resources</i>	1,968
5.	<i>Sui Northern Gas Pipelines Ltd.</i>	<i>Petroleum & Natural Resources</i>	7,044
6.	<i>National Power Construction Corporation</i>	<i>Water & Power</i>	414
7.	<i>Pakistan International Airline</i>	<i>Defense</i>	16,865
8.	<i>National Engineering Services of Pakistan</i>	<i>Water & Power</i>	1,810
9.	<i>Pakistan Machine Tool Factory</i>	<i>Industries & Production</i>	1,073
10.	<i>Heavy Electrical Complex</i>	<i>Industries & Production</i>	45
11.	<i>Jamshoro Power Generation Company Ltd.</i>	<i>Water & Power</i>	1,572
12.	<i>National Investment Trust</i>	<i>Finance</i>	179

13.	<i>Pakistan National Shipping Corp.</i>	<i>Ports & Shipping</i>	421
14.	<i>Lakhra Coal Development Company</i>	<i>Petroleum & Natural Resources</i>	80
15.	<i>National Insurance Company Ltd.</i>	<i>Commerce</i>	382
16.	<i>National Construdion Ltd.</i>	<i>Housing & Works</i>	157
17.	<i>National Telecommunications Corporation</i>	<i>Information Technology & Telecommunic ation</i>	2,912
18.	<i>Pakistan Reinsurance Company Ltd.</i>	<i>Commerce</i>	243
19.	<i>Mari Gas Company Ltd.</i>	<i>Petroleum & Natural Resources</i>	352
20.	<i>Sui Southern Gas Company Limited</i>	<i>Petroleum & Natural Resources</i>	5,347
21.	<i>Islamabad Electric Supply CompanyLtd.</i>	<i>Water & Power</i>	12,676
22.	<i>Printing Corporatbn of Pakistan</i>	<i>Cabinet Division</i>	958
23.	<i>Pakistan Tourism Development Corporation</i>	<i>Tourism</i>	121
24.	<i>PTDC Motel North</i>	<i>Tourism</i>	131
25.	<i>Pakistan Tours (Pvt) Ltd</i>	<i>Tourism</i>	42
26.	<i>Associated Hotels of Pakistan</i>	<i>Tourism</i>	83
27.	<i>Utility Stores Corporation</i>	<i>Industries & Production</i>	7,929
28.	<i>Pakistan Mineral Development Corporation</i>	<i>Petroleum & Natural Resources</i>	1,036
29.	<i>Telephone Industry of Pakistan</i>	<i>Information Technology</i>	1,168
30.	<i>First Women Bank</i>	<i>Finance</i>	483
31.	<i>ZaraiTarakiyati Bank Ltd</i>	<i>Finance</i>	5,283
32.	<i>Pakistan Agriculture & Storage &Supply Corp.</i>	<i>Food & Agriculture</i>	1,555
33.	<i>SME Bank Ltd.</i>	<i>Finance</i>	605
34.	<i>Export Processing Zone</i>	<i>Industries</i>	410

	Authority	&Production	
35.	House Building Finance Corporation	Finance	1,356
TOTAL			88,433

Financial Impact

The Scheme envisage financial impact of Rs.198.7863 billion for implementation of BESO in 77 SOEs through payment of dividend on 12% shareholding of GoP and payment of buyback claims to employees on ceasing to be employee.

Implementation of BESOS

The trusts are formed by the relevant Ministry (owner of the GoP shareholding in the entity) with three nominations from the Ministry and three nominations from the entity to implement BESOS. The relevant Ministry then issue 12% of GoP shareholding to the trust, who issues unit certificate against these shares, to the employee on the payroll of the entity on 14th August 2010, on the basis of their service.

50% of the dividend received by the Trust is distributed among the employees and 50% is remitted to PC Revolving Fund, being maintained by Privatisation Commission, for payment of buyback claims of the employees.

The employees, under BESOS are required to put additional service of 5 years from the date of BESOS i.e 14th August 2009 to be entitled for the buyback claim, however, the employee leaving due to early exit because of superannuation, retrenchment, medical reasons or death are also entitled for the buyback claims under the scheme.

BESOS Progress:

The Trusts have been formed in 37 entities and unit certificates have been allocated to the employees of 27 entities.

An amount of Rs.1,453,113,023/- on account of 50% dividend from 07 entities have been received in PC Revolving Fund and buyback claims amounting to Rs.1,184,103,351/-of employees of 04 entities have been received by the Privatisation Commission from the Trusts. The claims are being processed.

COMPETED TRANSACTIONS SINCE 1991

Rs (in millions)

S. No	Unit Name	Sale Price	Date of Transfer	Buyer Name
Banking and Finance				
Bank				
1	Allied Bank Limited (51%)	971.6	Feb-91	EMG
2	Muslim Commercial Bank (75%)	2,420.0	Apr-91	National Group
3	Bankers Equity Ltd. (51%)	618.7	Jun-96	LTV Group
4	Habib Credit & Exchange 70 % (52,500,000)	1,633.9	Jul-97	Sh. Nahyan bin Mubarik Al-Nahyan
5	United Bank Ltd. 51% (1,549,465,680 shares)	12,350.0	Oct-02	Consortium of Bestway & Abu Dhabi Group
6	Bank Alfalah 30% (22,500,000 shares)	620.0	Dec-02	Abu Dhabi Group
7	Habib Bank (51%)	22,409.0	Dec-03	Agha Khan Fund for Economic Development
	Total	41,023.2		
Capital Market Transaction				
8	Muslim Commercial Bank (6.8%)	563.2	Jan-01	MCB Employees-PF & Pension-F
9	Muslim Commercial Bank (4.4%)	364.0	Nov-01	MCB Employees-PF & Pension-F
10	NBP 10% shares IPO (37,300,000)	373.0	Feb-02	General Public Thru Stock Exchange
11	Muslim Commercial Bank-CDC (24,024,560 shares)	664.0	Oct-02	Sale thru CDC
12	Pakistan Oil Fields Limited-CDC (28,546,810 shares)	5,138.0	Oct-02	Sale thru CDC
13	Attock Refinery Limited-CDC (10,206,000 shares)	1,039.0	Jan-03	Sale thru CDC
14	ICP Lot – A	175.0	Sep-02	ABAMCO
15	ICP Lot – B	303.0	Oct-02	PICIC
16	ICP – SEMF	787.0	Apr-03	PICIC
17	NBP 10% SPO (37,303,932 shares)	782.0	Nov-02	Sale thru CDC
18	DG Khan Cement -CDC (3,601,126 shares)	63.0	Dec-02	General Public Thru Stock Exchange
19	NBP 3.52% 3rd offer (13,131,000 shares)	604.0	Nov-03	General Public Thru Stock Exchange
20	OGDCL 5% IPO (215,046,420 shares)	6,851.0	Nov-03	General Public Thru Stock Exchange
21	SSGC 10% -SPO (67,117,000 shares)	1,734.0	Feb-04	General Public Thru Stock Exchange
22	PIA 5.8% shares SPO	1,215.1	Jul-04	General Public Thru Stock Exchange
23	PPL 15% IPO (102,875,000 shares)	5,632.6	Jul-04	General Public Thru Stock Exchange

24	KAPCO 20% IPO (160,798,500 shares)	4,814.8	Apr-05	General Public Thru Stock Exchange
25	UBL 4.2% IPO (21,867,400 shares)	1,087.2	Aug-05	General Public Thru Stock Exchange
26	OGDCL 9.5% GDR (408,588,000 shares)	46,963.0	Dec-06	GDR offering to international & domestic institutions
27	OGDCL 0.5% SPO (21,505,000 shares)	2,359.6	Apr-07	General Public Thru Stock Exchange
28	UBL 21.74% GDR (175,951,092 shares)	34,291.7	Jun-07	GDR offering to international & domestic institutions
	Total	115,804.2		
	Total Banking & Finance	156,827.4		
	Energy Sector			
29	Mari Gas (20%)	102.4	Apr-94	Mari Gas Company Ltd.
30	KotAddu Power Company (26%)	7,105.0	Jun-96	National Power
31	KotAddu Power Company (10%)	3,046.0	Nov-96	National Power
32	KotAddu (Escrow A/c)	900.7	Apr-02	National Power
33	SSGC LPG business	369.0	Aug-00	Caltech Oil Pak.(Pvt) Ltd.
34	SNGPL LPG business	142.0	Oct-01	Shell Gas LPG Pakistan
35	Badin II (Revised)	503.2	Jun-02	BP Pakistan & Occidental Pakistan
36	Adhi	618.9	May-02	Pakistan Oil Field
37	Dhurnal	161.0	May-02	Western Acquisition
38	Ratana	24.6	May-02	Western Acquisition
39	Badin I	6,433.0	Jun-02	BP Pakistan & Occidental Pakistan
40	Turkwal	75.6	Jun-02	Attock Oil Company
41	NRL (51% shares)	16,415.0	May-05	Consortium of Attock Refinery Ltd.
42	KESC (73% GOP shares)	15,859.7	Nov-05	Hassan Associates
	Total	51,756.1		
	Telecommunications			
43	PTCL (2%)	3,032.5	Aug-94	General Public Thru Stock Exchange
44	PTCL (10%)	27,499.0	Sep-94	Through DR form
45	26% (1.326 billion) B class shares of PTCL	156,328.4	Jul-05	Etisalat UAE
46	Carrier Telephone Industries	500.0	Oct-05	Siemens Pakistan Engineering Co. Ltd.
	Total	187,359.9		
	Industrial Units			
	Automobile			
47	Al-Ghazi Tractors Ltd.	105.6	Nov-91	Al-Futain Industries (Pvt) Ltd. UAE

48	National Motors Ltd.	150.4	Jan-92	BibooJee Services
49	Millat Tractors Ltd.	306.0	Jan-92	EMG
50	Baluchistan Wheels Ltd.	276.4	May-92	A. Qadir&Saleem I. Kapoorwala
51	Pak Suzuki Co. Ltd.	172.0	Sep-92	Suzuki Motors Co. Japan
52	NayaDaur Motors Ltd.	22.3	Jan-93	FaridTawakkal&Saleem I. Kapoorwala
53	Bolan Castings	69.2	Jun-93	EMG
	Total	1,101.9		
	Cement			
54	Maple Leaf Cement	485.7	Jan-92	Nishat Mills Ltd.
55	Pak Cement	188.9	Jan-92	MianJehingirEllahi& Ass
56	White Cement	137.5	Jan-92	MianJehingirEllahi& Associates
57	D.G Khan Cement	1,960.8	May-92	Tariq Sehgal& Associates
58	Dandot Cement	636.7	May-92	EMG
59	Garibwal Cement	836.3	Sep-92	Haji Saifullah& Group
60	Zeal Pak Cement	239.9	Oct-92	Sardar M. Ashraf D. Baluch
61	Kohat Cement	527.9	Oct-92	Palace Enterprises
62	Dandot Works - National Cement	110.0	Jan-95	EMG
63	General Refractories Limited	18.9	Feb-96	Shah Rukh Engineering
64	Wah Cement	2,415.8	Feb-96	EMG
65	Associated Cement Rohri	255.0	Nov-03	National Transport Khi
66	Thatta Cement	793.7	Jan-04	Al Abbass Group
67	10% additional shares – Dandot Cement	8.3	Oct-04	EMG
68	10% additional shares – Kohat Cement	40.7	Oct-04	EMG
69	Mustehkam Cement Limited	3,204.9	Nov-05	Bestway Cement Limited
70	Javedan Cement Company Limited	4,315.9	Aug-06	Haji GhaniUsman& Group
	Total	16,176.9		
	Chemical			
71	National Fibres Ltd	756.6	Feb-92	Schon Group
72	Kurram Chemicals	33.8	Feb-92	Upjohn Company USA
73	Pak PVC Ltd	63.6	Jun-92	RiazShaffiReysheem
74	Sind Alkalis Ltd	152.3	Oct-92	EMG
75	Antibiotics (Pvt) Ltd	24.0	Oct-92	Tesco Pvt) Ltd.
76	Swat Elutriation	16.7	Dec-94	Sahib Sultan Enterprises
77	Nowshera PVC Co. Limited	20.9	Feb-95	Al_syed Enterprises
78	Swat Ceramics (Pvt) Limited	38.6	May-95	Empeiral Group
79	Ittehad Chemicals	399.5	Jul-95	Chemi Group
80	Pak Hye Oils	53.6	Jul-95	Tariq Siddique Associates
81	Ravi Engineering Limited	5.4	Jan-96	Petrosin Products Pte
82	Nowshera Chemicals	21.2	Apr-96	Mehboob Ali Manjee
83	National Petrocarbon	21.9	Jul-96	Happy Trading

84	National Petrocarbon (add'l 10% shares)	2.3	Mar-02	Happy Trading
85	Khuram Chemicals (additional 10%)	6.0	Oct-03	Pfizer Pakistan
86	10% additional shares – Ittehad Chemicals	26.1	Oct-04	EMG
	Total	1,642.5		
	Engineering			
87	Karachi Pipe Mills	18.9	Jan-92	Jamal Pipe Industries
88	Pioneer Steel	4.4	Feb-92	M. Usman
89	Metropolitan Steel Mills Limited	66.7	May-92	Sardar M. Ashraf D. Baluch
90	Pakistan Switchgear	8.9	Jun-92	EMG
91	Quality Steel	13.2	Apr-93	Marketing Enterprises
92	Textile Machinery Co	27.9	Oct-95	Mehran Industries
93	Indus Steel Pipe	42.5	Jul-97	Hussien Industries
	Total	182.5		
	Fertilizer			
94	Pak China Fertilizers Company Limited	435.4	May-92	Schon Group
95	Pak Saudi Fertilizers Ltd. (90%)	7,335.9	May & Sep-02	Fauji Fertilizers
96	Pak Saudi Fertilizers Ltd. (10%)	815.0	Sep-02	Fauji Fertilizers Ltd.
97	Pak Arab Fertilizers (Pvt) Ltd. (94.8%)	14,125.6	May-05	Export Reliance-Consortium
98	Pak Amercian Fertilizers (100%)	15,949.0	Jul-06	Azgard 9
99	Lyallpur Chemical & Fertilizers	280.2	Dec-06	Al Hamd Chemical (Pvt) Limited
	Total	38,941.1		
	Ghee			
100	Fazal Vegetable Ghee	21.2	Sep-91	Mian Mohammad Shah
101	Associated Industries	152.0	Feb-92	Mehmoob Abu-er-Rub
102	ShFazalRehman	64.3	Apr-92	Rose Ghee Mills
103	ShFazalRehman (additional 10% shares)	2.3	May-05	Rose Ghee Mills
104	Kakakhel Industries	55.3	May-92	Mehmoob Abu-er-Rub
105	United Industries	15.5	May-92	A. Akbar Muggo
106	Haripur Vegetable Oil	30.1	Jul-92	Malik Naseer & Assoc.
107	Bara Ghee Mills	27.8	Jul-92	Dawood Khan
108	Hydari Industries	-	Aug-92	EMG
109	Chiltan Ghee Mills	42.5	Sep-92	Baluchistan Trading Co.
110	Wazir Ali Industries	31.9	Dec-92	Treat Corporation
111	Asaf Industries (Pvt) Limi ted	11.4	Jan-93	Muzafar Ali Isani
112	Khyber Vegetable	8.0	Jan-93	Haji A. Majid & Co.
113	Suraj Vegetable Ghee Industries	10.8	Jan-93	Trade Lines
114	Crescent Factories Vegetable Ghee Mills	46.0	Jan-93	S. J. Industries
115	Bengal Vegetable	19.1	Mar-93	EMG
116	A & B Oil Industries Limited	28.5	Mar-93	Al-Hashmi Brothers

117	Dargai Vegetable Ghee Industries	26.2	Nov-97	Gul Cooking Oil Industries
118	Punjab Veg. Ghee	18.7	May-99	Canal Associates
119	Burma Oil	20.1	Jan-00	Home Products Intl
120	E&M Oil Mills	94.0	Jul-02	Star Cotton Corp. Ltd.
121	Maqbool Oil Company Ltd.	27.6	Jul-02	Madina Enterprises
122	Kohinoor Oil Mills	80.7	May-04	Iqbal Khan
123	United Industries Limited	7.7	Sep-05	A. Akbar Muggo
	Total	841.7		
	Mineral			
124	Makerwal Collieries	6.1	Jul-95	Ghani Group of Industries
	Rice			
125	Sheikhupura	28.0	May-92	Contrast Pvt Ltd.
126	Faizabad	21.2	May-92	Packages Ltd.
127	Siranwali	16.2	Jul-92	Enterprise
128	Hafizabad	20.0	Sep-92	Pak Pearl Rice Mills
129	Eminabad	24.1	Nov-92	Pak Arab Food Industries
130	Dhaunkel	79.2	Jun-93	Dhonda Pakistan Pvt Ltd.
131	Mabarikpur	14.4	Nov-93	Maktex Pvt) Ltd.
132	Shikarpur	32.5	Mar-96	Afzaal Ahmad
	Total	235.6		
	Roti Plants			
133	Gulberg, Lahore	8.7	Jan-92	Packages Ltd.
134	Peshawar	2.6	Jan-92	Saleem Group of Ind
135	Head Office, Lahore	10.2	Jan-92	Hajra Textile Mills
136	Hyderabad	2.6	Jan-92	Utility Stores Corp.
137	Faisalabad	11.5	Jan-92	Azad Ahmad
138	Bahawalpur	1.6	Feb-92	Utility Stores Corp.
139	Multan	2.5	Feb-92	Utility Stores Corp.
140	Quetta	4.8	Feb-92	Utility Stores Corp.
141	Islamabad	3.6	Mar-92	Utility Stores Corp.
142	Taimuria, Karachi	9.2	Jun-92	Spot Light Printers
143	SITE, Karachi	5.1	Sep-92	Specialty Printers
144	Multan Road, Lahore	3.5	Dec-92	Utility Stores Corp.
145	Korangi, Karachi	4.6	Apr-93	Utility Stores Corp.
146	Mughalpura, Lahore	-	Jun-96	Pakistan Railways
147	Gulshan-e-Iqbal, Karachi	20.2	Mar-98	Ambreen Industries
	Total	90.7		
	Textile			
148	Quaidabad Woollen Mills	85.5	Jan-93	JehangirAwan Associates
149	Cotton Ginning Factory	1.2	Jun-95	Hamid Mirza
150	Bolan Textile Mills	128.0	Oct-05	Sadaf Enterprises
151	Lasbella Textile Mills	156.0	Nov-06	Raees Ahmed
	Total	370.7		

	Total (all Industrial Units)	59,589.7		
	Miscellaneous			
152	National TubewellConstCorpn	18.6	Sep-99	Through Auction
153	Duty Free Shops	12.5	Sep-99	Weitnaur Holding Ltd.
154	Republic Motors (Plot)	6.3	Nov-99	Muhammad Mushtaq
155	Al Haroon Building Karachi	110.0	Sep-02	LG Group
156	International Advertising (Pvt) Ltd.	5.0	Apr-05	EMG
	Total	152.4		
	Newspapers			
157	N.P.T Building	185.0	Oct-93	Army Welfare Trust
158	Mashriq – Peshawar	26.6	Jun-95	Syed Tajmir Shah
159	Mashriq – Quetta	6.2	Jan-96	EMG
160	Progressive Papers Ltd.	46.1	May-96	Mian Saifu-ur-Rahman
161	Mashriq – Karachi	6.7	Aug-96	EMG
	Total	270.6		
	Tourism			
162	Cecil's Hotel	190.9	Jun-98	Imperial Builders
163	Federal Lodges - 1- 4	39.2	Jan-99	Hussain Global Assoc.
164	Dean's Hotel	364.0	Dec-99	ShahidGul& Partners
165	Falleti's Hotel Lahore	1,211.0	Jul-04	4B Marketing
	Total	1,805.1		
	Total (Misc.)	2,228.1		
	Capital Market Transaction			
	UBL 3.26% thru GDR (26,392,660 shares)	5,159.0	Jul-07	GDR offering to international & domestic institutions
166	HBL 7.5% thru IPO (51,750,000 shares)	12,161.0	Oct-07	General Public Thru Stock Exchange
	Fertilizers			
167	Hazara Phosphate & Fertilizers Limited	1,340.224	Nov – 08	Pak American Fertilizers Limited
	Total	18,660.224		
167	Grand Total (1991 to Dec 2008)	476,421.42		
		4		

FUTURE VISION

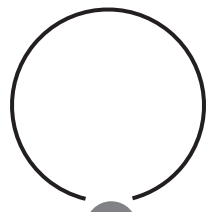
During the fiscal year under review, the Privatisation Commission mainly aimed at initiating and launching alterations in the original privatisation policy. This was intended in order to revolutionize the preceding guidelines and to come up with a new and improved version of the Privatisation Policy. These policy changes were finally implemented in February 2009 and the new Privatisation Policy was, thus, officially launched.

This new Policy has been modelled on the concept of public-private partnership (PPP) and divestment of 26 % shares of the state owned enterprises (SOEs), with full transfer of management rights. This implies that the owners of 26% equity would be expected to inject new technology and management practices in the acquired entity.

The future vision of Privatisation Commission through this policy ensures that the Government's divestment does not result in alienation of national assets and reduction in quality of production and service.

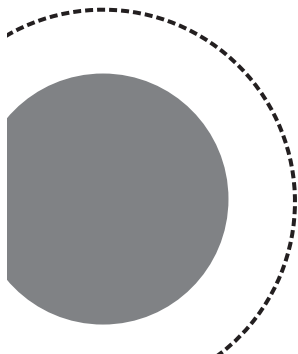
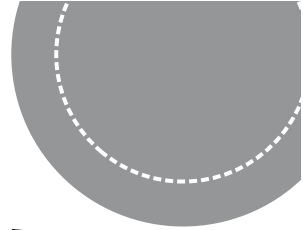
Apart from that, the Government intends to minimize the detriment of its people through Benazir Employees Stock Option Scheme (BESOS), by reserving 12% of the shares for the workers of State Owned Enterprises being privatised.

In future, the Privatisation Commission has a heavy task before it not only to dispose-off the remaining sick industrial units but also to privatise the large industrial units, public utilities, financial institutions, infrastructure and transportation facilities. Steps are being taken to expedite the privatisation process as well as to rationalise the macro-economic environment for speedy economic development of the country.



Chapter 5

IMAGE GALLERY





Syed Naveed Qamar
Minister for Privatisation



Mr. Muhammad Ejaz Chaudhary
Secretary for Ministry of Privatisation

BESOS Unit Certificates Distribution Ceremony



President Asif Ali Zardari distributing certificates for BESOS in Lahore on 16-1-2010



Islamabad: August 14, 2009 – Prime Minister Syed Yusuf Raza Gillani addressing at the inauguration ceremony of Benazir Employees Stock Option Scheme (BESOS) at Prime Minister's Secretariat.



Islamabad: August 14, 2009 – Prime Minister Syed Yusuf Raza Gillani standing in the respect of National Anthem at the inauguration ceremony of Benazir Employees Stock Option Scheme (BESOS) at Prime Minister's Secretariat.



SYED NAVEED QAMAR FEDERAL MINISTER FOR PRIVATIZATION CHAIRING A MEETING OF THE SUB COMMITTEE OF THE CABINET COMMITTEE ON PRIVATIZATION (CCOP) ON ISSUING EQUITY-LINKED INSTRUMENTS IN ISLAMABAD ON FEBRUARY 18, 2011



SYED NAVEED QAMAR FEDERAL MINISTER FOR PRIVATIZATION CHAIRING A MEETING TO REVIEW THE CAPITAL MARKET TRANSACTIONS AT ISLAMABAD ON FEBRUARY 17, 2011

