

**MINUTES OF THE 14TH MEETING OF THE IMPLEMENTATION COMMITTEE FOR
REORGANIZING THE FEDERAL GOVERNMENT
HELD ON 03-12-2019**

The 14th meeting of the Implementation Committee was held on 03-12-2019 at 10:00 a.m. in Institutional Reforms Cell (IRC) at the P.M. Office. It was chaired by Dr. Ishrat Husain, Advisor to the Prime Minister on Institutional Reforms and Austerity. The list of the participants is annexed. The agenda of the meeting was to deliberate upon the views of the Ministries / Divisions concerned with the organizational entities proposed to be privatized or transferred to Sarmaya-e-Pakistan, as given in Annex-2 of the Report. The agenda also included discussion on the views / comments of the remaining Ministries / Divisions about the proposed Training, Policy Support and Research Institutes as per Annex-6 of the REPORT ON REORGANIZING THE FEDERAL GOVERNMENT.

2. The meeting started with recitation from the Holy Quran. After this the Chair invited Secretary Privatization to share the progress with the Committee on the subject. He stated that out of 204 Organizational Entities (OEs) present with the Federal Government, almost 60-65 units have been identified for transfer to Sarmaya-e-Pakistan. On this Mr. Shoukat Tareen, informed the Committee that in the first phase, Sarmaya-e-Pakistan expects to take over about 22 units. He further stated that Sarmaya-e-Pakistan will not take over these units all at once. Instead, it will pick up only those units which have potential to be reformed and revitalized. As for the rest of the units, they will continue to remain with the respective Ministries / Divisions till the time these are subsequently picked up by the Sarmaya-e-Pakistan or are directly privatized by the Privatization Division. In this context, it was also brought to the notice of the Committee that some Ministries / Divisions are a bit reluctant to hand over these units. On this, the Committee made it conspicuously clear that undertaking of business ventures is not the function of public sector. Government in fact should only have policy and regulatory functions. Mr. Shoukat Tareen further stated that the strategy of Sarmaya-e-Pakistan is to initially take over OEs that are causing maximum losses to the Government exchequer. The Committee gave general caution that while privatizing these units, due care should be taken to ensure that the selected private investors are willing to undertake strategic investments and also that private monopolies are not created. The Chair highlighted that the underlying purpose of this exercise is to increase the efficiency of these enterprises and also to reduce the loss of the Government, besides encouraging the participation of the private

sector. He further stated that in order to achieve this, all these enterprises were classified into the following four categories:-

- a. The units which could directly be privatized.
- b. The units which could be privatized but needed initial restructuring by Sarmaya-e-Pakistan before their privatization so that their sale value can be enhanced.
- c. The units whose privatization was not required and instead they should be merged and/or liquidated.
- d. Strategic units / companies which are to be retained by the Federal Government.

The Chair further stated that the privatization of HBL is a very good example to follow. Before its privatization in 2002, Government had to give subsidy to compensate for the losses but within three years of its privatization, it became a profit earning unit. The Secretary Privatization Division then informed that out of 204 units, 48 units are on the Active List of Privatization and it is expected that the privatization of 18 units will be completed within the next 6 months. On this, Mr. Shoukat Tareen, expressed his concerns that keeping past precedents under consideration, the process is expected to take much longer.

3. After the general discussion, the status of the enterprises falling under the relevant Ministries / Divisions was discussed one by one as under:-

M/o Commerce

4. Secretary Privatization informed the Committee that all the following four departments of the Ministry of Commerce proposed to be transferred to Sarmaya-e-Pakistan are already on the Active List of Privatization:-

- i. State Life Insurance Corporation of Pakistan, Karachi.
- ii. National Insurance Company Limited (NICL), Karachi.
- iii. Pakistan Reinsurance Company Limited, Karachi.
- iv. Services International Hotel, Lahore.

M/o Finance

5. The representative of the Finance stated that the Ministry has no objection on the transferring of the following two departments to Sarmaya-e-Pakistan / Privatization and it was further informed that both the OEs are also present on the Active List of Privatization maintained by the Privatization Division:-

- i. First Women Bank Limited (FWBL)
- ii. SME Bank Ltd.

M/o Industries and Production

6. The representative of the Ministry stated that the Ministry is agreed with the privatization of the following companies:-

- i. Sindh Engineering Limited (SEL).
- ii. Republic Motors Private Limited.
- iii. Pakistan Engineering Company Limited (PECO).
- iv. Heavy Electrical Complex (HEC).
- v. Morafco Industries Private Limited.
- vi. Pakistan Automobile Corporation (PACO).

Regarding the National Fertilizer Corporation of Pakistan Private Limited, the representative from the Ministry stated that the Ministry proposes its merger with Pakistan Industrial Development Corporation (PIDC). With regards to the State Engineering Corporation (SEC), the representative stated that the Ministry proposes its liquidation instead of privatization. Secretary Privatization informed that these two entities are already present on the active list for privatization.

For the following three entities, the representative stated that they are joint ventures and have accumulative losses of Rs. 85.121 million, Rs. 27 million and Rs. 48.03 million respectively. Therefore, their privatization has financial and legal implication and a proper feasibility study is needed to proceed further. Here requested the help of Legal and Financial advisors of Privatization Commission for this feasibility study:-

- i. Spun Yarn Research and Development Company, Multan
- ii. Southern Punjab Embroidery Industries, Multan
- iii. Khadi Crafts Development Company

M/o Information Technology & Telecommunications

7. It was informed by the M/o Information Technology & Telecommunications that the Cabinet Committee on Privatization (CCoP) in its meeting held on 18th September 2019 approved the delisting of Telephone Industries of Pakistan from the Privatization Program. This decision was ratified by the Federal Cabinet in its meeting held on the 1st of October, 2019.

Petroleum Division

8. The Advisor to the Prime Minister on Petroleum, who is also the Member of the Implementation Committee, stated that Petroleum Division had no objection on the privatization / transferring of following entities to Sarmaya-e-Pakistan. Moreover, the Secretary Privatization also informed that these entities of the Ministry were already on the Active List of Privatization:-

- i. Oil & Gas Development Company Ltd., Islamabad
- ii. Pakistan Mineral Development Corporation (PMDC)
- iii. Pakistan Petroleum Limited (PPL)

Power Division

9. The Committee discussed the following companies included in the Annex-2 of the Report under the M/o Power:-

- i. Power Holding (Private) Limited (PHPL)
- ii. National Power Parks Management Company (Private) Limited (NPPMCL)
- iii. Jamshoro Power Generation Company (GENCO-I)
- iv. Central Power Generation Company (GENCO-II)
- v. Northern Power Generation Company (GENCO-III)
- vi. Lakhra Power Generation Company (GENCO-IV)
- vii. Islamabad Electric Supply Company (IESCO)
- viii. Lahore Electric Supply Company (LESCO)
- ix. Gujranwala Electric Power Company (GEPCO)
- x. Faisalabad Electric Supply Company (FESCO)
- xi. Hyderabad Electric Supply Company (HESCO)
- xii. Multan Electric Power Company (MEPCO)
- xiii. Quetta Electric Supply Company (QESCO)
- xiv. Peshawar Electric Supply Company (PESCO)
- xv. Sukkur Electric Power Company (SEPCO)
- xvi. Tribal Areas Electric Supply Company (TESCO)
- xvii. Lakhra Coal Development Company Ltd., Karachi

- xviii. Government Holdings (Pvt.) Limited (GHL)
- xix. KotAddu Power Company (KAPCO)
- xx. 1233 MW Balloki Power Plant
- xxi. 1230 MW Haveli Bahadur Power Plant

The Committee was informed that most of these companies were incurring loss. The consensus of the Committee prima facie was that they all should be privatized. However, the decision was postponed to the next meeting. The Committee desired that Mr. Omar Ayub Khan, the Federal Minister for Energy (Power Division) and Mr. Irfan Ali, the Secretary Power Division may be invited in future meetings for deliberation.

M/o Interior

10. Secretary Privatization informed that the privatization of Jinnah Convention Centre, CDA, M/o Interior was also on the Active List of Privatization.

Discussion on Annex-6 (PROPOSED TRAINING, POLICY SUPPORT AND RESEARCH INSTITUTES)

M/o National Food Security & Research

11. The Ministry agreed on the merger of Agriculture Policy Institute into the proposed Agriculture, Food and Environment Policy Institute (AFEPI).

M/o National Health Services, Regulations & Coordination

12. The Ministry agreed on the proposal of making National Institute of Population Studies and National Research Institute of Fertility Control apart of the Pakistan Health Research Council (PHRC). With regard to the Health Services Academy (HSA), it was stated that it has already become a University.

Petroleum Division

13. The Ministry agreed to the merger of Hydrocarbon Development Institute of Pakistan (HDIP) into the proposed Energy Policy Institute (EPI).

Decisions

- i. Sarmaya-e-Pakistan Ltd (SPL) will select the entities from the list of entities given in 'Annex-2 of the Report' for restructuring with a view to make their privatization more profitable and inform the committee so that the approval of the Cabinet is sought. Other entities will be privatized by the Privatization Commission.
- ii. The Committee recommended the privatization of the following OEs of M/o Commerce:-
 - (i) State Life Insurance Corporation of Pakistan, Karachi.
 - (ii) National Insurance Company Limited (NICL), Karachi.
 - (iii) Pakistan Reinsurance Company Limited, Karachi.
 - (iv) Services International Hotel, Lahore.
- iii. The Committee recommended the privatization of the following OEs of M/o Finance:-
 - (i) First Women Bank Limited (FWBL)
 - (ii) SME Bank Ltd.
- iv. The Committee recommended the privatization of the following OEs of M/o Industries and Production:-
 - i. Sindh Engineering Limited (SEL)
 - ii. Republic Motors Private Limited
 - iii. Pakistan Engineering Company Limited (PECO)
 - iv. Heavy Electrical Complex (HEC)
 - v. Morafco Industries Private Limited
 - vi. Pakistan Automobile Corporation (PACO)
- v. Regarding the National Fertilizer Corporation (NFC) of Pakistan Private Limited, the proposal by M/o Industries and Production for merger with PIDC was not endorsed. The Committee recommended that the Privatization Commission should continue with the privatization of NFC and State Engineering Corporation, which are already on the active list for privatization, after prior consultation with the M/o Industries and Production.
- vi. The Committee decided that the Government should divest its shares from the following three organizations of the M/o Industries and Production and give the joint ventures the right of first refusal.
 - a. Spun Yarn Research and Development Company, Multan
 - b. Southern Punjab Embroidery Industries, Multan

c. Khadi Crafts Development Company

- vii. The Committee recommended the privatization of the following departments of M/o Petroleum:-
- i. Oil & Gas Development Company Ltd., Islamabad
 - ii. Pakistan Mineral Development Corporation (PMDC)
 - iii. Pakistan Petroleum Limited (PPL)
- viii. The decision on the departments as mentioned in para 9/ante was postponed to the next meeting.
- ix. The Committee recommended the privatization of the Jinnah Convention Centre, CDA,M/o Interior.
- x. The Committee approved the merger of Agriculture Policy Institute, M/o National Food Security & Research into the proposed Agriculture, Food and Environment Policy Institute (AFEPI).
- xi. The Committee approved the proposal of making National Institute of Population Studies and National Research Institute of Fertility Control, M/o National Health Services, Regulations and Coordination as part of Pakistan Health Research Council (PHRC).
- xii. The Committee approved the merger of Hydrocarbon Development Institute of Pakistan (HDPI) into the proposed Energy Policy Institute (EPI).

The meeting ended with a vote of thanks to and from the Chair.

**List of participants of the 14th Meeting of Implementation Committee
held on 03-12-2019**

- i. Advisor to the PM on Institutional Reforms & Austerity.
- ii. Minister for Defence.
- iii. Minister for Federal Education & Professional Training.
- iv. Advisor to the PM on Establishment.
- v. Advisor to the PM on Petroleum.
- vi. Mr. Shaukat Tareen.
- vii. The Secretary, Establishment Division.
- viii. The Secretary, Privatization Division.
- ix. The Secretary, M/o National Health Services, Regulations & Coordination.
- x. The Special Secretary, Cabinet Division.
- xi. The Additional Finance Secretary, Finance Division.
- xii. The Additional Finance Secretary, Finance Division.
- xiii. The Additional Secretary, M/o Interior.
- xiv. The Additional Secretary, M/o Commerce.
- xv. The Additional Secretary, Privatization Division.
- xvi. The Additional Secretary, M/o Petroleum.
- xvii. The Deputy Financial Advisor, Capital Development Authority, Islamabad.
- xviii. The Member (Engineering) Capital Development Authority, Islamabad.
- xix. The Director General (E&M), Capital Development Authority, Islamabad.
- xx. The Joint Secretary, Power Division.
- xxi. The Joint Secretary, M/o Industries & Production.
- xxii. The Joint Secretary, M/o Law & Justice.
- xxiii. The Joint Secretary, M/o Information Technology & Telecommunications.
- xxiv. The Joint Secretary, M/o National Food Security & Research.
- xxv. The Joint Secretary, Institutional Reforms Cell (IRC).