

The background of the slide is a large, slightly blurred image of the Pakistani flag, featuring a green field with a white crescent and star, and a white band at the top.

Pakistan: Economic Reforms And Privatisation Overview

Presentation by:
Zahid Hamid
Minister for Privatization & Investment
Government of Pakistan
London, 6 July, 2007

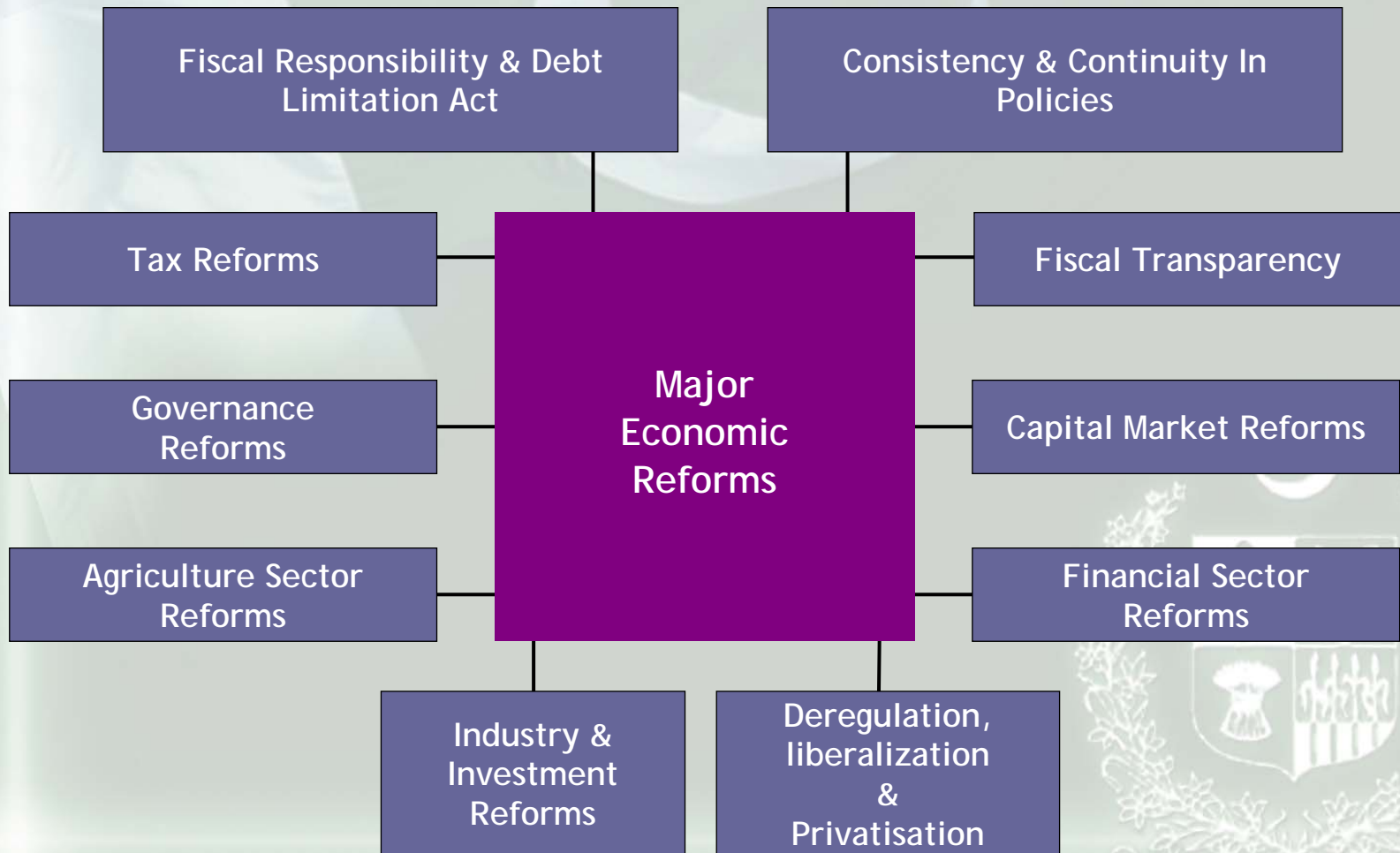


Economic Reforms

- Multidimensional and broad-based structural reforms have been implemented during the last seven years covering political, economic and social sectors.
- Economic reforms are based on privatisation, de-regulation and liberalization, accompanied by:
 - Transparency
 - Good governance
 - Continuity and consistency of policies.



Major Reforms implemented during last 7 years



Tax Reforms

Focused on:

- Significant reduction in tariffs
- Reduction in number of taxes and broadening of tax base
- Introduction of universal self-assessment tax scheme.

Resulting in:

- Doubling of tax revenue over the last seven years
- Elimination of revenue deficit.



Fiscal Discipline

Fiscal Responsibility & Debt Limitation Act of 2005

- Required reduction of revenue deficit to Nil by June 30, 2008
- achieved two years earlier;
- Reduction of public debt as percentage of GDP to less than 60% by 30th June 2013 - achieved 7 years earlier. Ratio to be reduced by 2.5% per year.



Financial Sector Reforms

- Strengthening of regulatory functions of the State Bank of Pakistan;
- Liberalization and privatisation of the banking sector - resulting in growth exceeding 25% per annum;



Capital Market Reforms

- Development of sound regulatory policies for modern and efficient corporate sector
- Outcome: Vibrant capital market with increased capitalization and large investor base.



Second Generation Reforms

- Strengthening institutions such as:
 - Judiciary
 - Civil Service
 - Police
- Strengthening tax administration
- Improving competitiveness of Industry
- Improving infrastructure
- Building robust financial system
- Continuing capital market reforms.



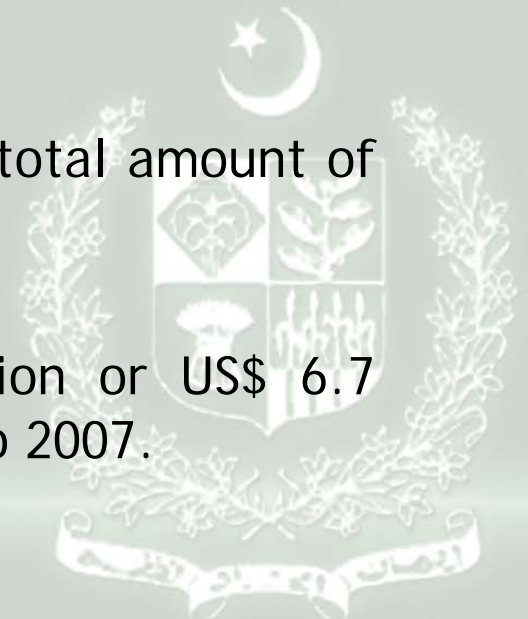
Pakistan: A Leading Reformer

- Runner-up reformer in the South Asian Region (after Maldives) according to the Report of the World Bank and IFC entitled “Doing Business in South Asia 2007” which compared business regulations in 175 countries around the world.
- Pakistan ranks ahead of both China and India in “Ease of Doing Business”.



Privatisation Programme

- Recognized as most successful programme in the sub-continent
- Privatisation Commission established in 1991
- 165 privatization transactions completed for total amount of Rs. 458 billion or US\$ 8.6 billion
- 63 transactions completed for Rs. 400 billion or US\$ 6.7 billion (78% of total) during the period 1999 to 2007.



On-going Privatisation Transactions

Energy Sector:

- An oil distribution company (PSO)
- Two oil & gas exploration and production companies (OGDCL and PPL)
- Two gas distribution companies (SNGPL and SSGC).

Power Sector:

- A power generating company (Jamshoro)
- Two power distribution companies (FESCO and PESCO).

On-going Privatisation Transactions

Capital Markets Sector:

- GDRs of Habib Bank Ltd. (HBL), National Bank of Pakistan (NBP) and Kot Addu Power Company (KAPCO)
- IPOs of HBL, Pak Arab Refinery Company (PARCO), Pakistan Steel Mills Corporation (PSMC) and State Life Insurance Corporation (SLIC).

Engineering Sector:

- Steel mills (PSMC)
- Machine tools factory (PMTF)
- Power transformer manufacturing company (HEC)
- Power construction company (NPCC)
- Phosphate fertilizer factory (HPFL)
- Auto assembly factory (Sind Engineering)

On-going Privatisation Transactions

Financial Sector:

- Sale of SME Bank - earmarked for small and medium enterprises
- Sale of management rights of a mutual fund (NIT).

Mineral Sector:

- Coal and Salt Mines of Pakistan Mineral Development Corporation (PMDC).

Tourism Sector:

- Motels and Restaurants of the Pakistan Tourism Development Corporation (PTDC).

Privatisation Procedure

- Very open, fair and transparent procedure:
 - initial public notice inviting expressions of interest
 - pre-qualification
 - due diligence and open bidding
 - signing of the sale purchase agreement
 - publication of summary details of the completed transaction in the official Gazette
- Privatisation Commission Ordinance of 2000 and rules and regulations prescribed thereunder have reduced and structured the discretionary decision-making authority of the Privatisation Commission.
- Under this law, 90% of all privatisation proceeds are required to be utilized for retirement of government debt and 10% for poverty alleviation programmes.

Liberal Investment Policy

- Equal opportunity for local & foreign investors
- All economic sectors open to foreign investors
- Foreign equity up to 100% allowed
- No Government permissions required
- Attractive tax, tariff and other incentives
- Remittance of capital, profits, royalty, technical & franchise fee allowed
- Network of Export Processing Zones / Industrial Estates
- Statutory protection for foreign investment
- Bilateral Agreements :
 - Investment Protection 48 Countries
 - Avoidance of Double Taxation 52 Countries

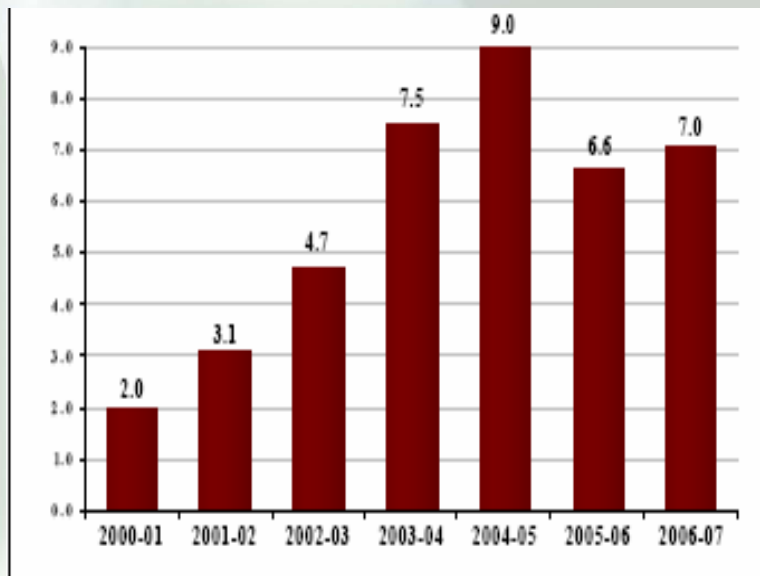


Macro Economic Overview

GDP and Per Capita Income Growth

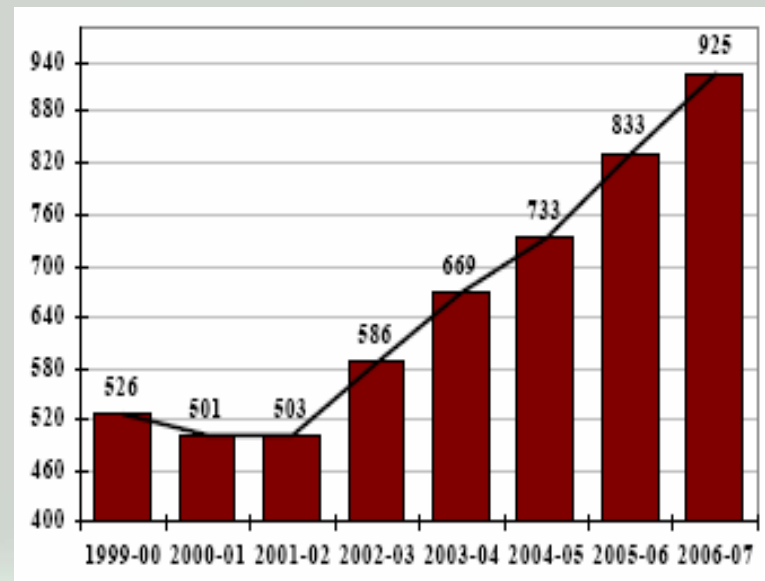
Pakistan's GDP grew 7% in FY06-07, while per capita income in current dollar terms grew to US\$925 in FY2006-07

GDP Growth



Source : Economic Survey2006-07

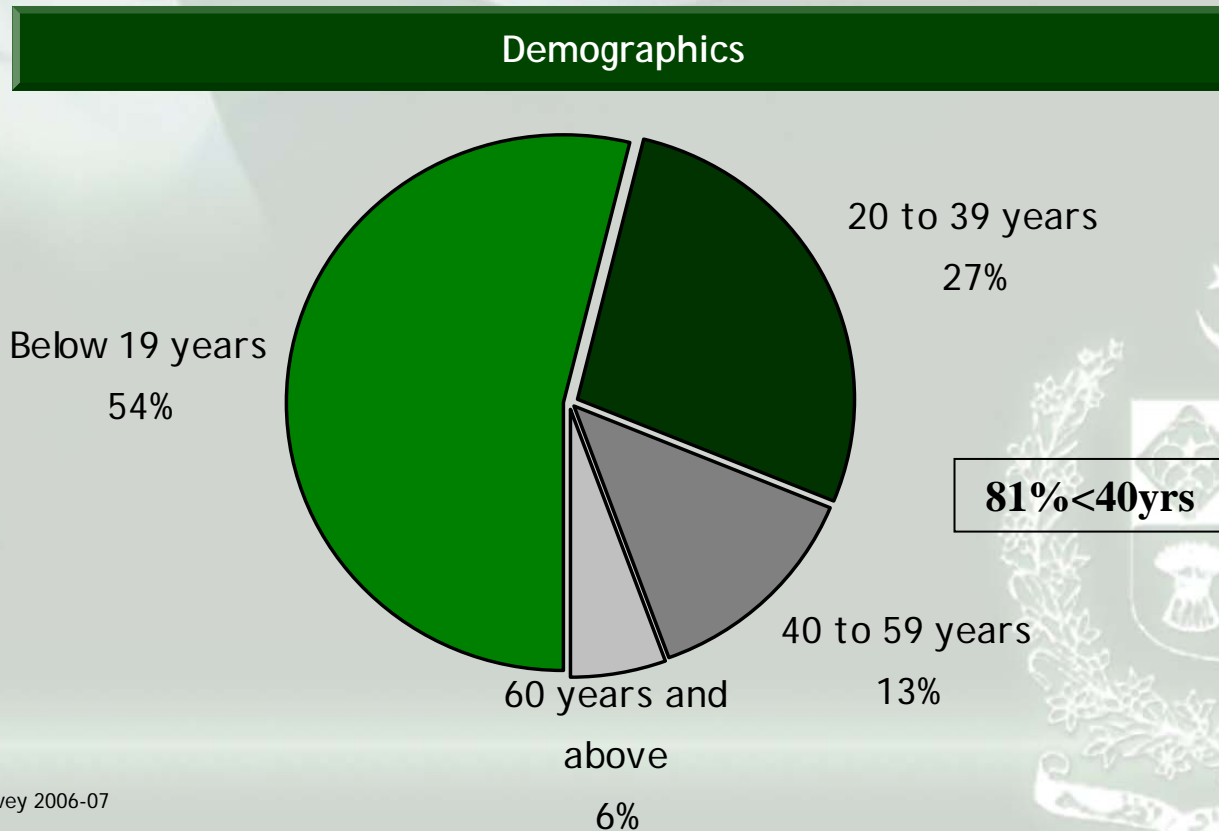
Per Capita Income*



* At current dollar prices

Remarkable Demographics

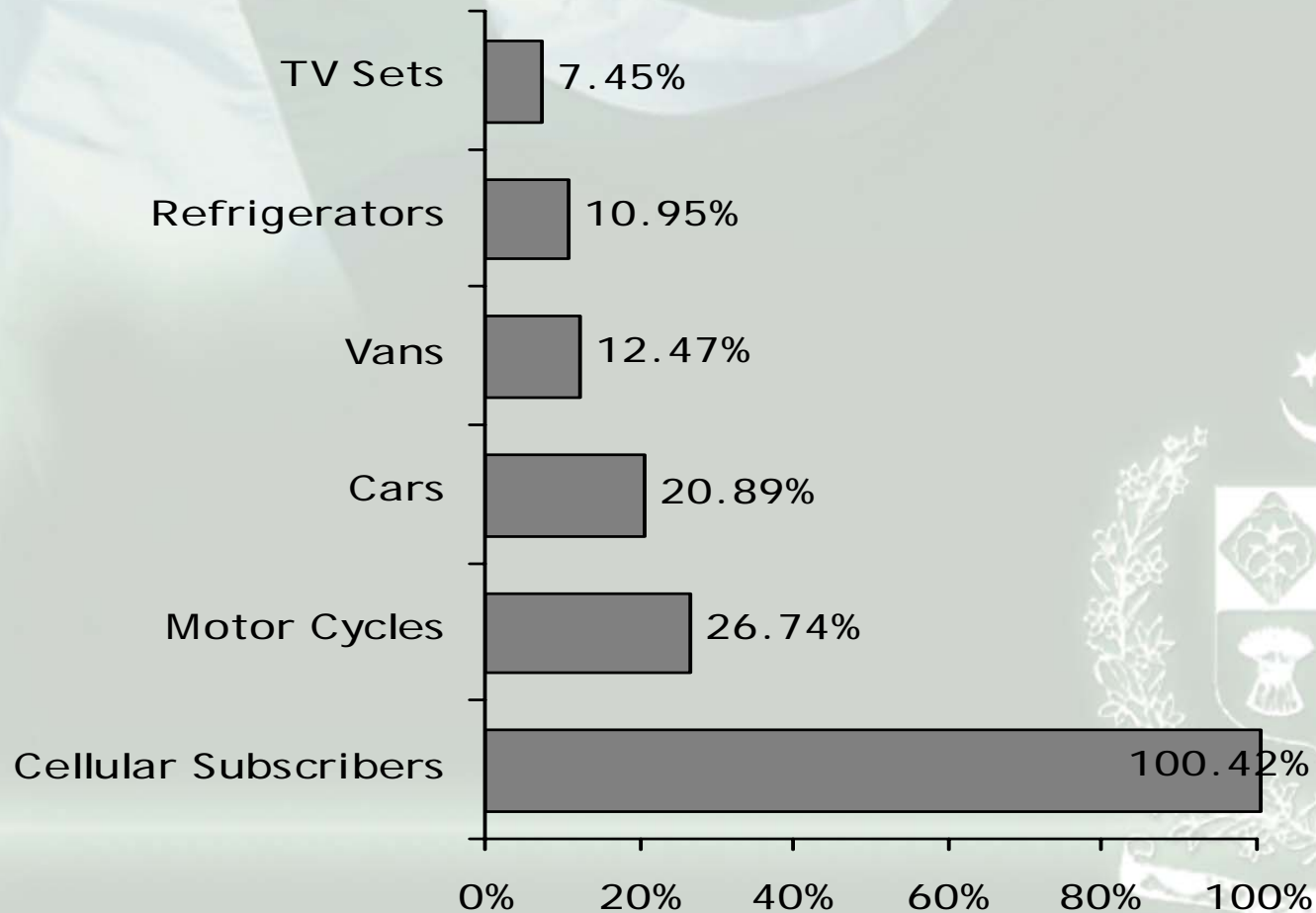
- Total population: 160 million
- Population under 25 years: 100 million



Source: Economic Survey 2006-07

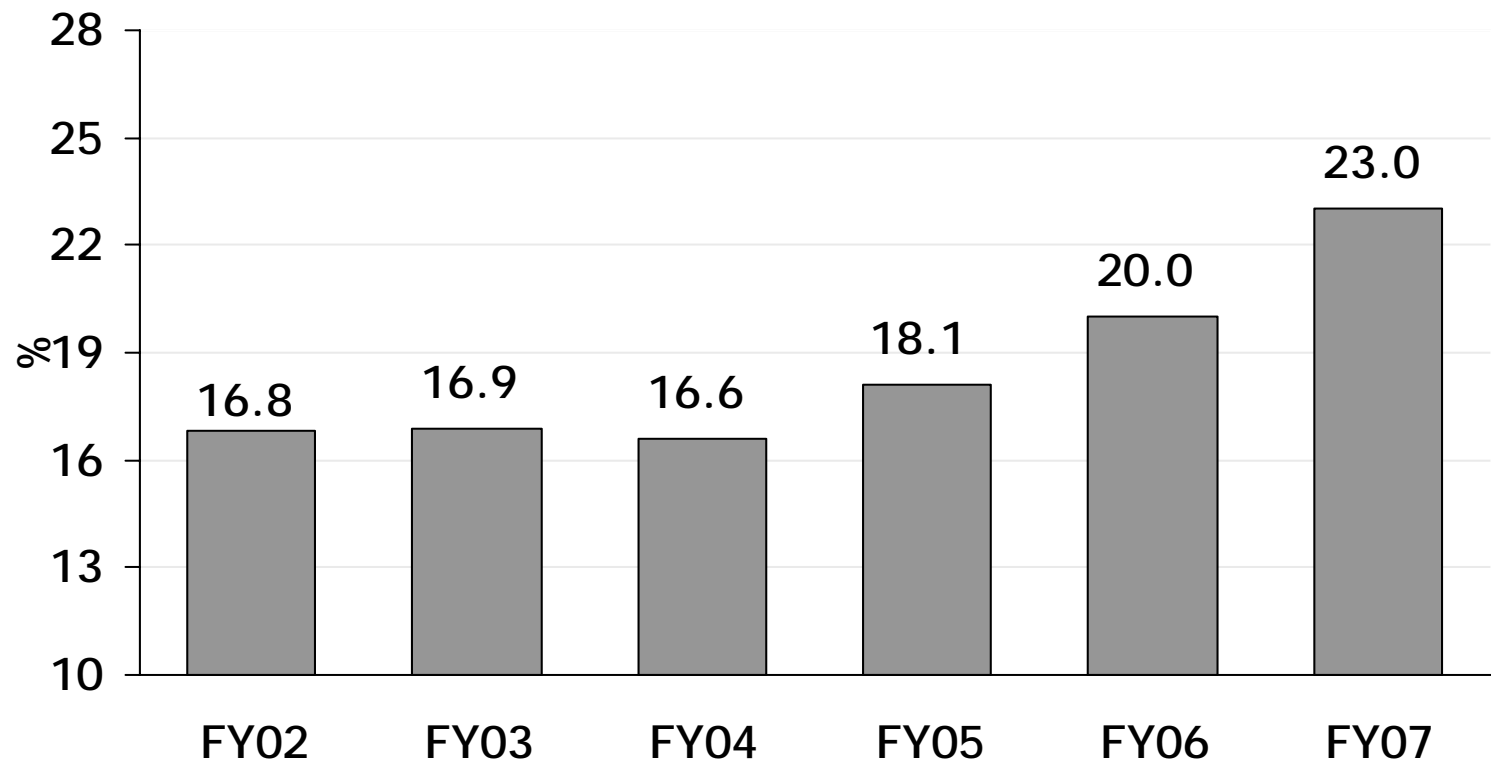
Emerging Middle Class: Consumer Spending

CAGR since June 1999:



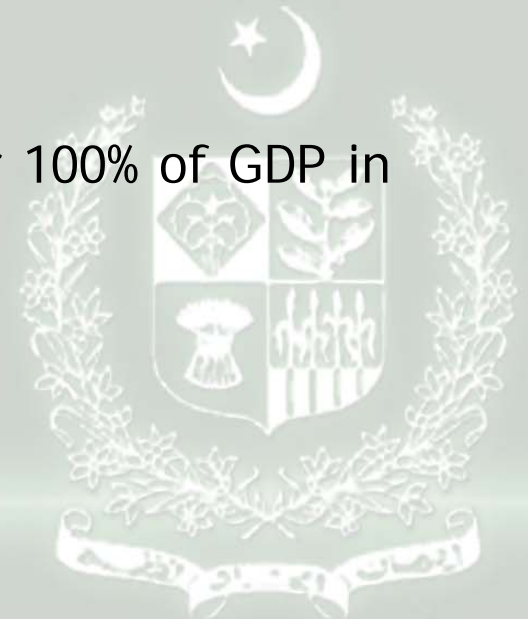
Investment Gaining Momentum

Investment as a % Of GDP



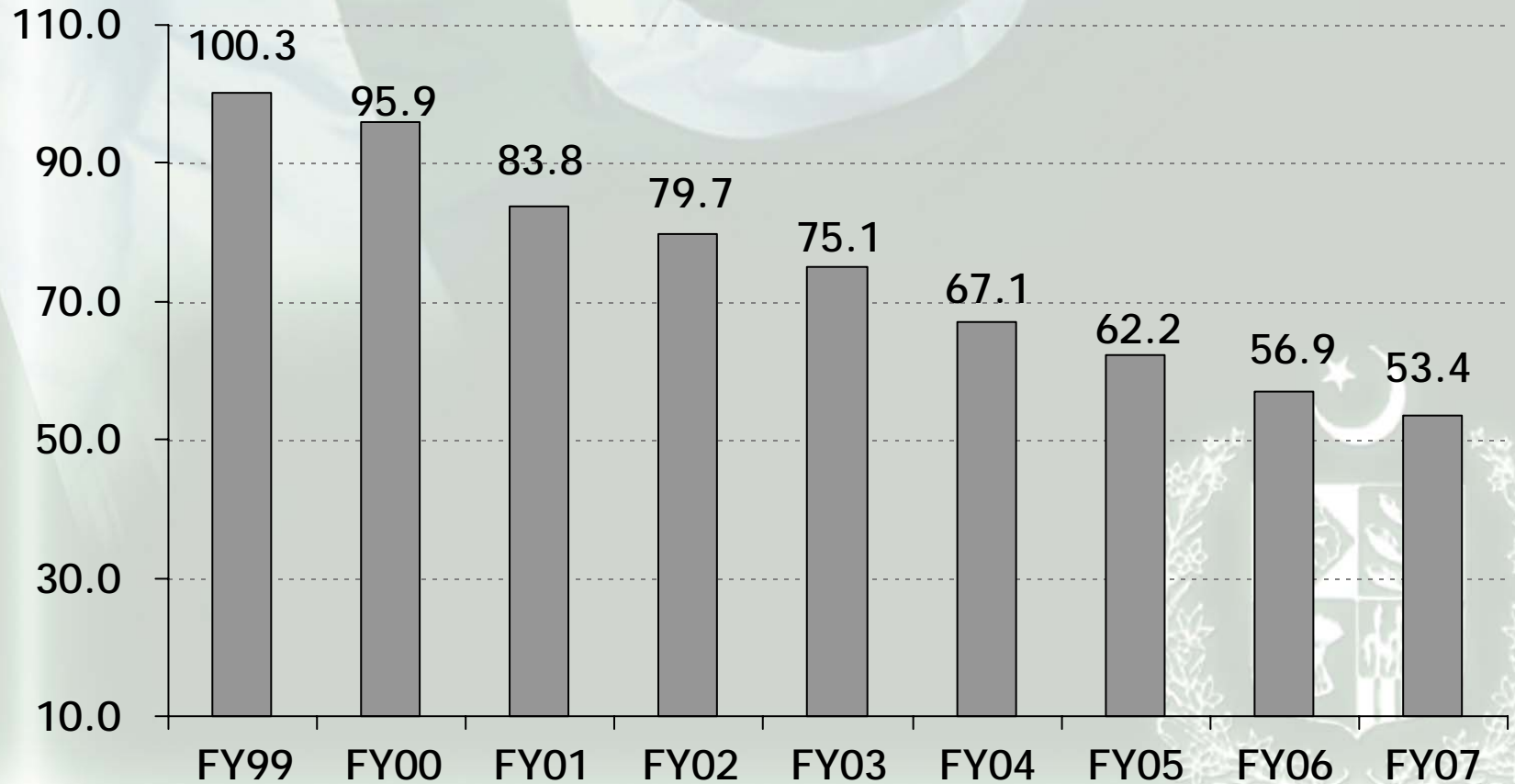
Declining Poverty, Unemployment, Debt

- Poverty has declined from 34.5% in 2000-1 to 23.9% in 2004-5, which means that 13 million people have come out of poverty in this period.
- Unemployment has fallen from 8.3 % in 2000-01 to 6.2% in 2005-06.
- Public debt as % of GDP has fallen from over 100% of GDP in 1999 to 53.4% in 2007.



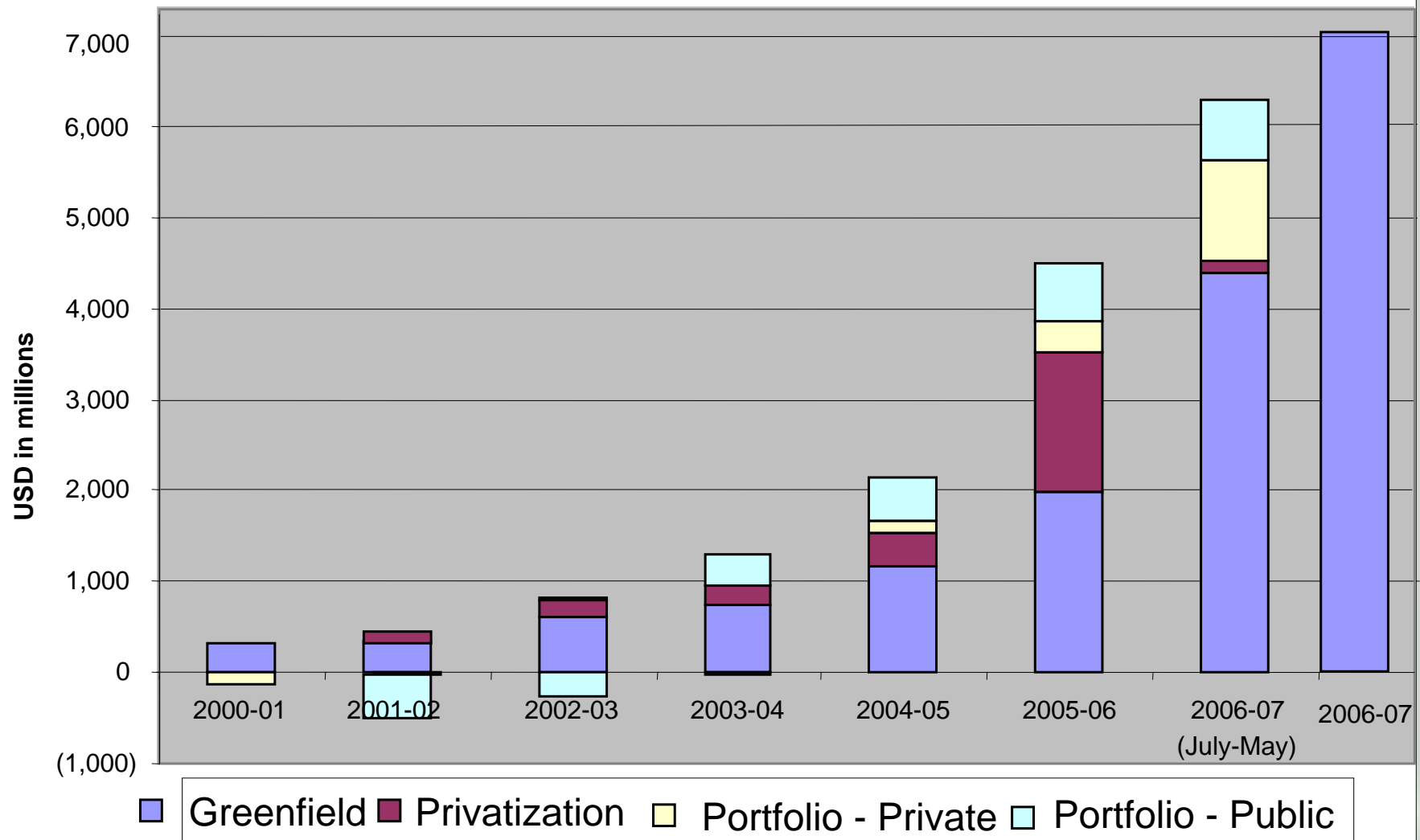
Declining Public Debt Burden

Public debt as % of GDP

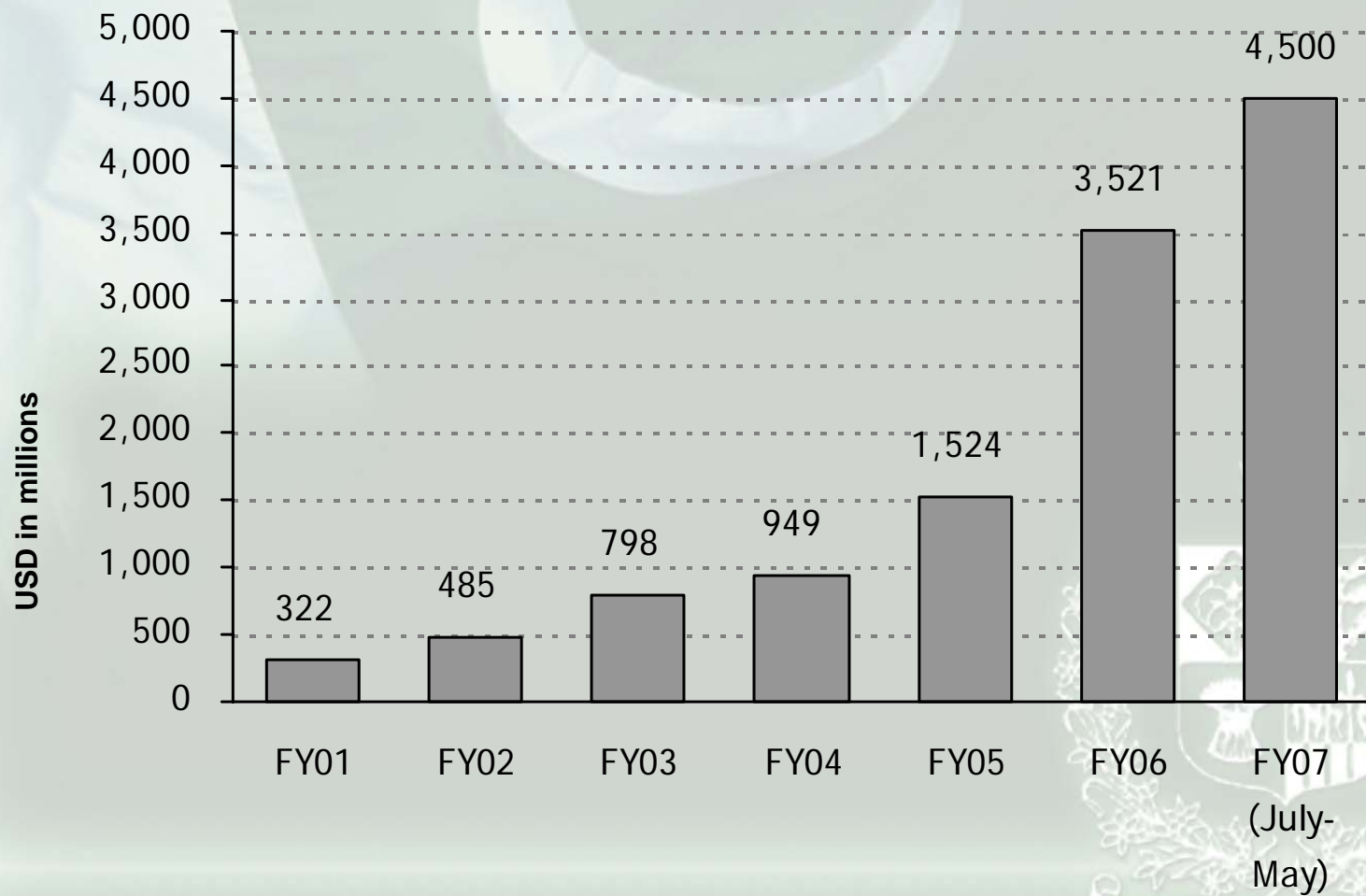


Source : Economic Survey 2006-07

Total Foreign Investment

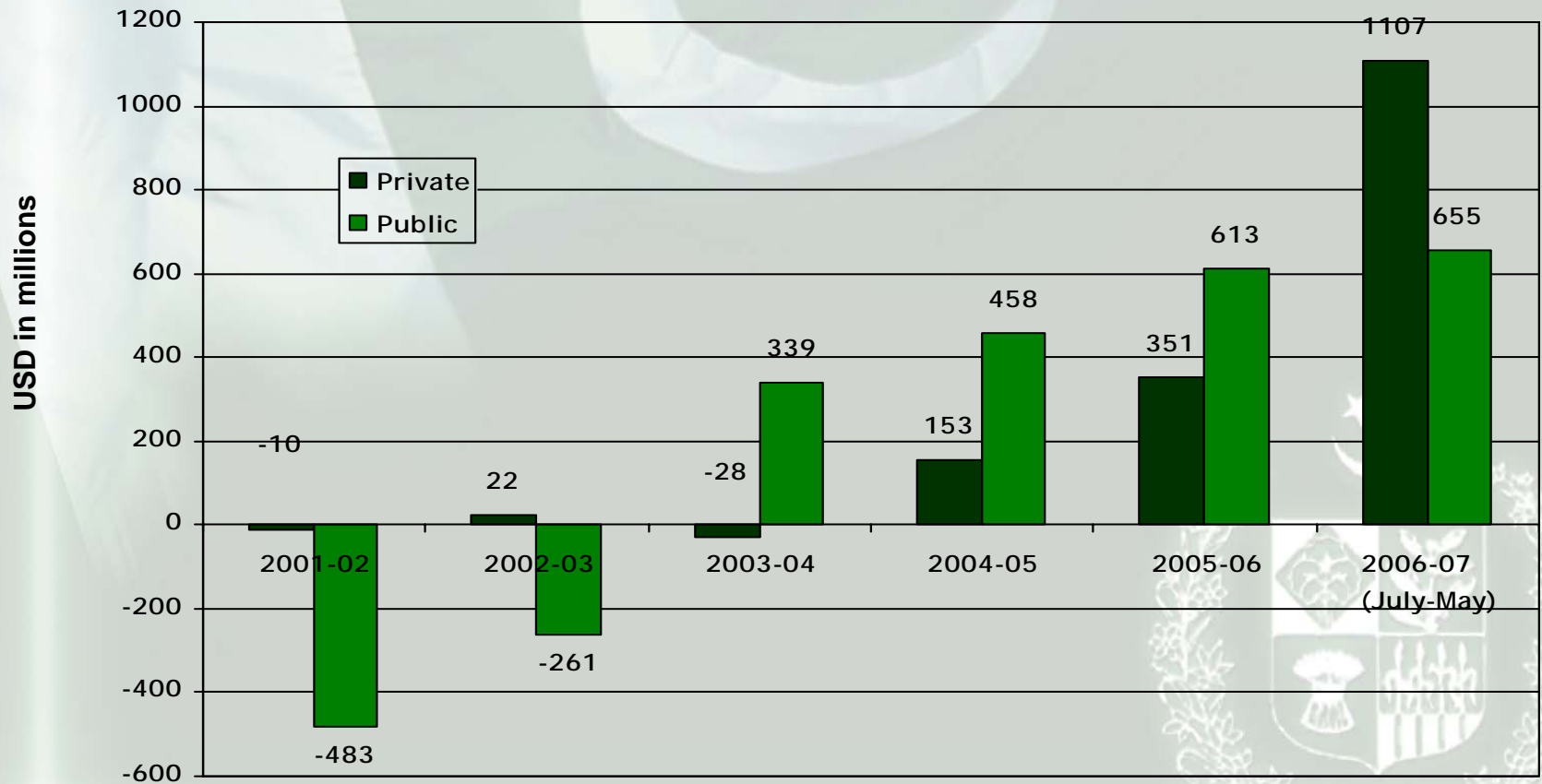


Foreign Direct Investment



Source : Economic Survey 2006-07

Portfolio Investment Inflows



Source : Economic Survey 2006-07

Positive Investor Sentiment

- Credit ratings are consistently improving. Pakistan is now ranked B+ (positive) by Standard and Poor and B1 (stable) by Moody's.
- The \$750 million ten-year sovereign bond issued by Pakistan last month was over-subscribed by more than seven times, and was priced very favorably at 6.875%.
- The recent UBL GDR raised total demand of \$2.5 billion. Sale of 25% shares yielded more than \$650 million. This GDR was priced at 5.0 times Price to Book Value, which is the highest-ever valuation multiple attained for a banking sector GDR.
- Private portfolio investment has also touched a record high this year at more than \$1 billion.

Capital Markets

- Process of investing in equities is simple and straight-forward, both for local and foreign investors.
- Foreign investors are only required to open a Special Convertible Rupee Account.
- Structural reforms have:
 - Strengthened risk management at the stock exchanges
 - Increased transparency and investor protection
 - Improved market efficiency
 - Introduced Code of Corporate Governance.

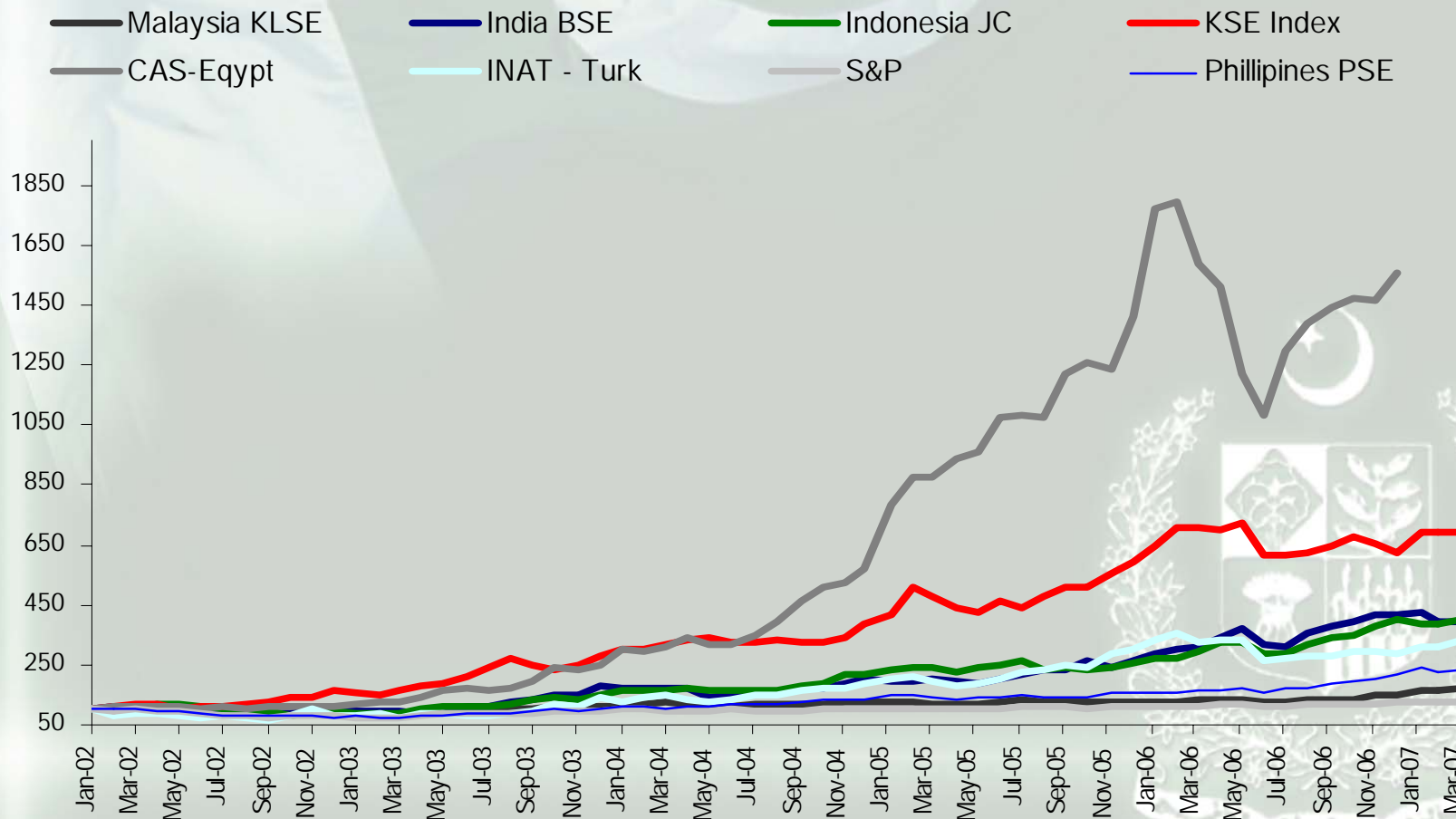


Karachi Stock Exchange

- Karachi Stock Exchange is one of the best performing stock markets in the world.
- It has out performed other emerging equity markets during the last four years in particular, including Malaysia, India, Indonesia and Turkey.
- From 2000 to 2007, market capitalization has increased tenfold to more than \$65 billion.
- The KSE 100 index, which comprises the top 100 companies listed in terms of market capitalization, has increased more than 13 times in this period.
- The index has risen more than 34% in 2007 todate.

Outperforming Key Peers

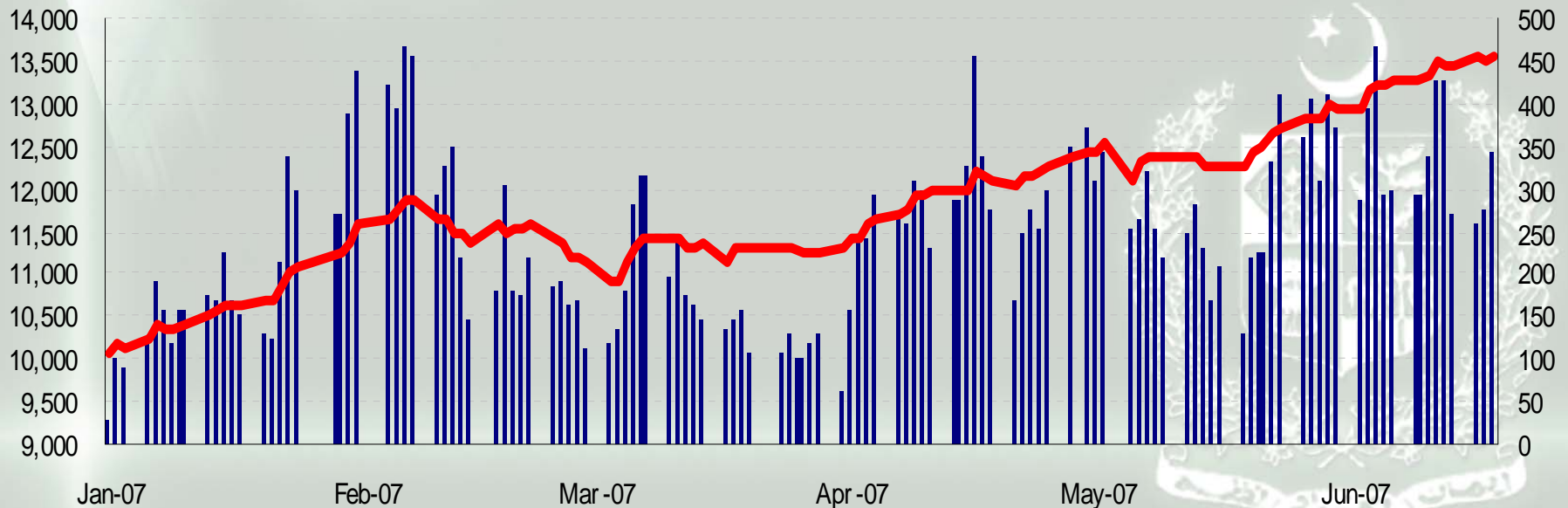
Key Indices Performance: 2002 – 2007YTD



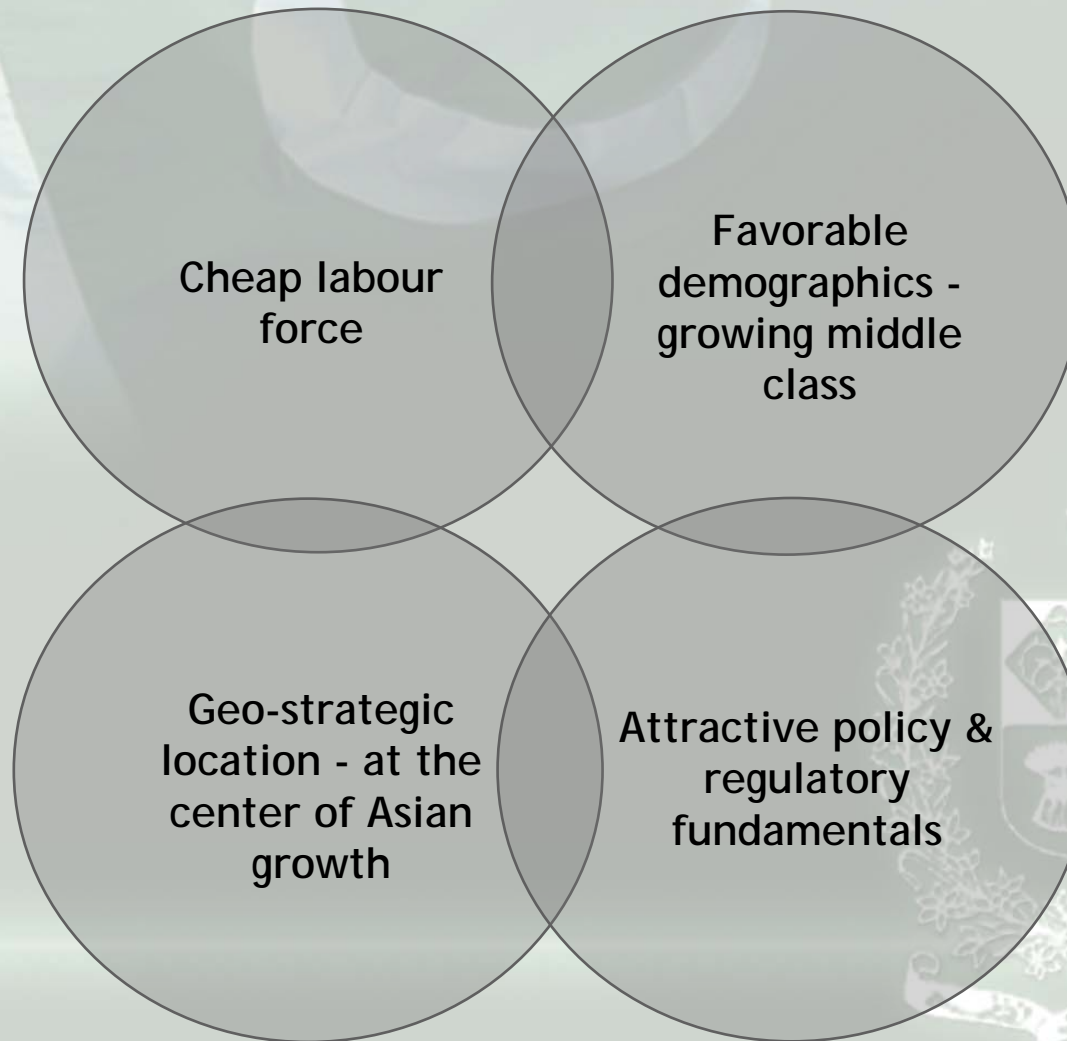
KSE100 performance

		CY04	CY05	CY06	CY07YTD
Absolute (%)		41.00%	55.63%	4.77%	34.67%
KSE100	High	6,218	11,402	12,273	13,567
	Low	4,473	6,220	8,766	10,066

■ volume mn (RHS) — index (LHS)

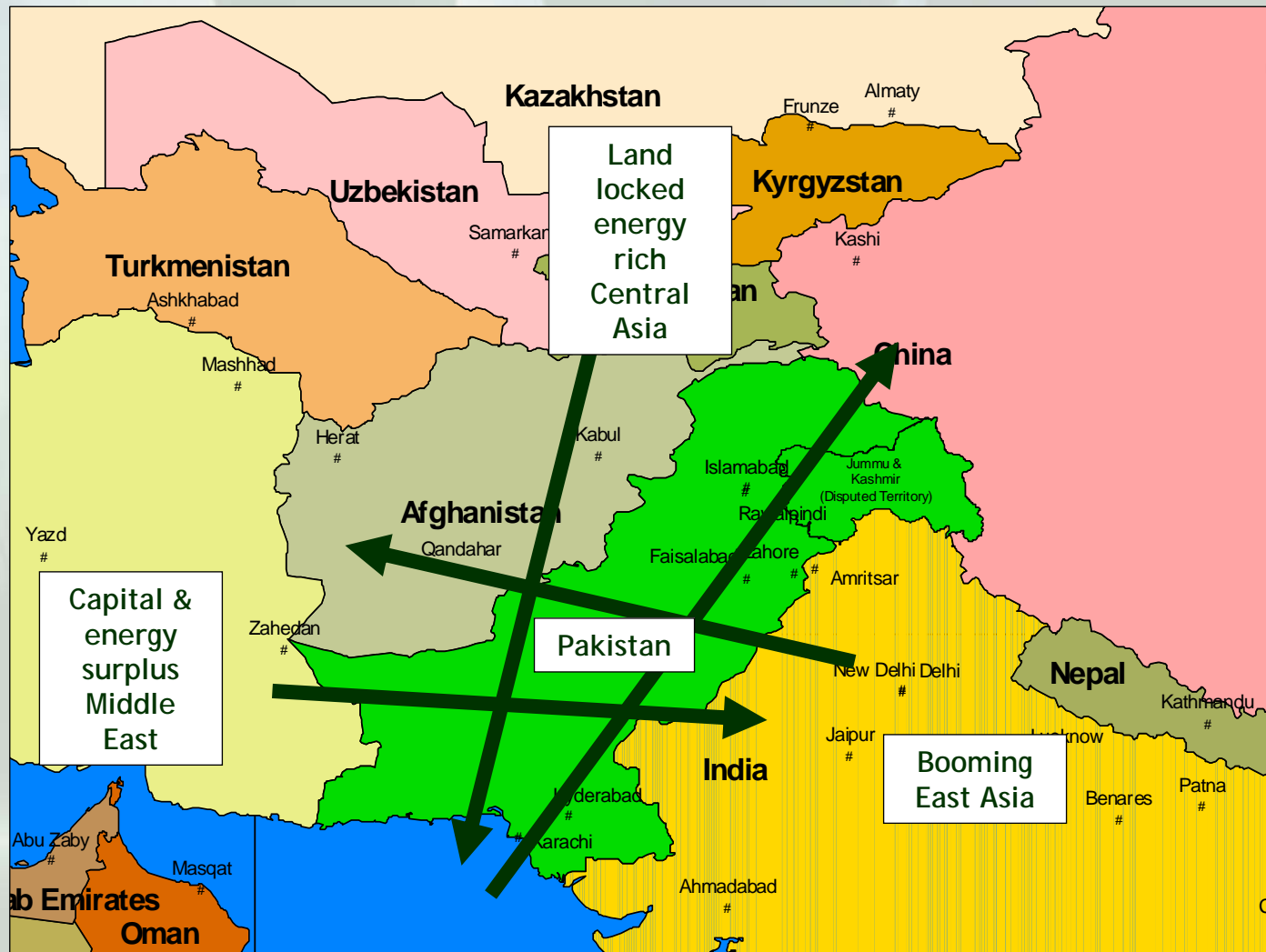


Looking to the future - Growth drivers



At The Center of Asian Growth

Pakistan can become a regional hub, with trade, energy and transport corridors





Thank You

