National Business Assembly (NBA)

AGENDA:

Privatisation of state-owned enterprises in Pakistan: Balancing economic reform and public welfare

[STUDY GUIDE]

1) Introduction to the committee

The National Business Assembly (NBA) is a simulation of Pakistan's National Assembly with a focus on business and the economy. Like the Pakistan National Assembly (PNA), it is a legislative body, so delegates debate, draft and amend laws.

Delegates in the NBA represent the political, economic and business interests that shape Pakistan's economy. Discussion centers on how national policy affects industry, public finances, employment and ordinary citizens.

2) Glossary

Privatization: When the government sells a company to people or businesses, it is no longer the governments. It can happen through a full sale, the sale of a majority stake, or a long-term lease or concession

State-Owned Enterprise (SOE): A company that belongs to the government, not to a person, which runs it to provide a service or earn revenue. *Examples: airlines, banks, power companies and utilities.*

Privatization Commission: The government body responsible for carrying out the sale of state assets, from valuation to bidding to the final deal.

Strategic Entity: A state enterprise considered too important to national security or the economy to be sold.

DISCO (Distribution Company): A company that delivers electricity from the national grid to homes and businesses and collects the bills, licensed by NEPRA. *Examples include: LESCO, MEPCO, IESCO, FESCO and GEPCO*

G2G Sale (Government-to-Government): A sale in which a state enterprise is

sold directly to another government, without an open public auction.

PPRA (Public Procurement Regulatory Authority): The government body that sets the rules for how public offices buy goods and services, so the process is fair and open. *Example: it makes sure a ministry picks a supplier through open bidding, not by favoring a friend.*

Expression of Interest (EOI): The first formal step in a sale, where interested buyers tell the government they wish to bid. The government then shortlists the qualified ones.

Loss-Making: Describes an enterprise whose spending is higher than its earnings, so it needs public money to keep running. *(Note: The size of losses is disputed often)*

International Monetary Fund (IMF): An international organization that lends money to countries facing financial difficulty and attaches conditions to its loans.

Public Welfare: The wellbeing of ordinary citizens, including jobs, affordable electricity, transport, fair prices and access to essential services.

CCI (Council of Common Interests): A constitutional body where the federal government and the provinces decide shared matters. *Example: it approved the plan to privatize power distribution companies in 2011.*

Public Procurement: The process through which government departments purchase goods, services, or construction work from businesses or contractors, following rules designed to ensure fairness, transparency, and value for money.

3) Introduction into topic

Pakistan's government owns many companies, such as airlines, banks and electricity providers. Many lose money, and public funds are used to keep them running. **As part of its $7 billion IMF loan program**, Pakistan has promised to sell or restructure them. The government says the goal is for the *'private sector to lead the country'*.

The sales are now happening. In 2024 the Prime Minister said all SOEs would be privatized except strategic ones, whether they make a profit or a loss. 27 state-owned enterprises are in the programme, and PIA's management has been transferred. Three power distribution companies are next: FESCO, GEPCO and IESCO, which together serve more than 14 million consumers.

Supporters of privatization say it will help. The government spends huge amounts on companies that keep losing money. That money could be spent on schools and hospitals and paying back debt instead. They also believe private owners will run the companies better, with less waste, less theft and better service.

Critics are worried. They fear workers will lose their jobs. They fear electricity bills and ticket prices will go up. They also worry that poor people will be hurt most, because a private company wants profit and may not care about those who cannot pay. Some provinces also say they should have a say when electricity companies are sold.

Doing nothing keeps draining public money, but selling carelessly could hand essential services to private owners with no protection for the public.

4) Historical background

1970s:

i) Why the state owns so much?

The government of Zulfikar Ali Bhutto took over major industries, banks, insurance companies and shipping firms. This was called nationalization. The aim was to stop wealth from being held by a few families and to protect workers and small businesses. *From 1972 to 1976: About 31 major industries, 13+ major banks and 2800+ agriculture industries*.

ii) What went wrong and consequences

Many of these businesses were badly managed. The government ***struggled*** to run them, and the losses were quick to appear. Many of today's problems with loss making state companies began in this period

Nationalization also shook business confidence. Owners who lost their companies, and others who feared they would be next, became wary of investing in Pakistan. Critics say the damage lasted for years, because investors learned that their assets could be taken. ***This matters today***, because the government now needs investors to believe that sales will be fair and that the rules will not change after they buy.

1991 TO 2005*:*

Pakistan began selling state companies in 1991. By 2005 it had sold several large institutions, including MCB Bank, Habib Bank, United Bank, PTCL and K-Electric

K-Electric (2005): Karachi's electricity company went to private owners. Years later, when they tried to sell their stake to a Chinese buyer, the deal stalled for about a year and a half over security clearance, electricity prices and unpaid gas bills of Rs79 billion.

The sale of K-Electric was the last major sale for nearly two decades. Governments kept announcing plans, ***but no major transaction was completed in 15 years***, even though public money was spent on hiring financial advisers.

i) Why were sales stalled ***(After 2005)***

Court challenges: In 2006 the Supreme Court cancelled the sale of Pakistan Steel Mills, ruling the process violated mandatory provisions of law, including in how the project was valued.

Fear of job losses: Workers feared losing their jobs after a sale. After the PTCL sale.

Political opposition: Opposition parties and unions attacked deals, and corruption claims followed.

Investor mistrust: Payment disputes, like the PTCL case, discouraged investors. The K-Electric stake sale also stalled over unpaid liabilities (debts) of Rs79 billion.

Weak planning: Governments hired advisers, but some left without completing their tasks

2013 TO 2023 (New rules and partial sales)

Share sales: In 2014, the government sold its remaining 19.8% stake in UBL for $387 million, the first privatization deal in about seven years.

New rules: In 2022-23, the government prepared a law for G2G sales after the then finance minister said the old rules made privatization impossible. A State-Owned Enterprises Act followed in 2023.

2024 Onwards

IMF loan with Conditions: Pakistan borrowed $7 billion from the IMF to stabilize its economy. The IMF attached strict conditions: Pakistan must sell or restructure its loss-making government companies, and each loan payment depends on that progress being made.

The PIA Sale That Failed: The government tried to sell 60% of PIA, it moved Rs622 billion of PIA's Rs825 billion total debt out of the company and into a separate government account. Six investor groups were cleared to bid, but only one placed an offer. Their bid was Rs10 billion. The government's minimum asking price was Rs85 billion. The offer was rejected, and the process started over.

PIA Finally Sold (2025): After restructuring the deal and raising the stake to 75%, the government held a auction. A group of Pakistani businesses led by Arif Habib Corporation won with a bid of Rs135 billion, roughly $482 million. This was the largest sale of a government company in Pakistan in over 20 years.

The IMF's Core Demand: With Pakistan's power sector carrying over Rs2.3 trillion in circular debt and its airports running at a loss under state management, the ***IMF made the privatization of both sectors a direct condition of its $7 billion loan programme***. The government placed three electricity companies serving over 14 million consumers on the active sale list, while simultaneously offering private companies 15 to 20 year operating contracts for Islamabad, Karachi, and Lahore airports, without selling the physical infrastructure itself.

5) Case studies

I) Pakistan International Airlines (PIA)

PIA was founded in 1946 as Orient Airways and relaunched as Pakistan International Airlines in 1955. By the time the government began seriously considering a sale, PIA had accumulated over ***$2.5 billion in cumulative losses*** and a ***workforce far larger than its fleet could justify***.

By 2024, it had accumulated over $2.5 billion in lifetime losses and Rs843 billion in total liabilities. To attract buyers, the government moved ***Rs623 billion of PIA's debt*** into a new state entity called ***PIA Holding Company Ltd.*** Legacy assets like the Roosevelt Hotel in New York were also carved out. On paper, PIA reported

a profit for the *first time* in decades

The holding company has no revenue of its own. The government allocated Rs30 billion from the national budget just to cover the interest on Rs268.5 billion in commercial debt parked there. The holding company hopes to eventually repay by selling hotels. Banks agreed to a 10-year repayment at 12% interest, meaning total payouts will reach Rs573 billion.

In October 2024, six groups were pre-qualified to bid for a 60% stake. Only one showed up, Blue World City, a real estate company. Their offer was Rs10 billion. The government's floor price was Rs85 billion. The bid was rejected.

The government restructured the deal, raised the stake to 75%, and held a live televised auction on 23 December 2025. A consortium led by Arif Habib Corporation, joined by Fatima Fertilizer, Fauji Fertilizer, City Schools, and Lake City Holdings, won with a bid of Rs135 billion (~$482 million), beating a rival group led by Lucky Cement. Not a single foreign investor or airline submitted a bid.

The government gave PIA's new owners an 18% sales tax exemption on aircraft procurement and leasing for 15 years, a benefit no other airline received. The National Assembly Standing Committee on Finance called this discriminatory. The government has since agreed to extend the same exemption to all airlines from the 2027-28 fiscal year and has informed the IMF of the decision.

II) First Women Bank LTD (FWBL)

First Women Bank was founded in December 1989 by Prime Minister Benazir Bhutto to give women access to banking and credit at a time when most banks ignored them entirely. Its startup capital of Rs100 million came from five state-owned banks and the Ministry of Finance. Its original mission: transform women from passive recipients of aid into active business owners.

It could not meet the State Bank of Pakistan's Minimum Capital Requirement of

Rs10 billion. Its equity sat at around Rs3.2 billion, less than a third of what was required. The government attempted to privatize it in 1994, 1996, 2018, and 2021. Every attempt failed.

In February 2024, the federal cabinet approved privatization. Instead of an open public auction, the government used the Inter-Governmental Commercial Transactions Act 2022 to sell directly to the UAE government (G2G deal). Abu Dhabi's International Holding Company (IHC), which purchased the government's 82.64% stake.

The government received approximately $14.6 million (Rs4.1 billion) for its stake. The buyer committed to injecting an additional Rs6.8 billion over five years to bring the bank up to the State Bank's capital requirement. The transaction formally closed on 15 April 2026, making it Pakistan's first ever bank privatization through a G2G framework

The government chose the G2G route to move fast and secure guaranteed foreign investment without the delays and risks of a public auction, the same delays that killed four previous attempts.

iii) Airports and DISCOS

Pakistan's power sector accumulated over Rs2.3 trillion in circular debt, driven by line losses, power theft, and low recovery rates. Under its $7 billion IMF programme, the government divided 10 state power distribution companies into four batches for divestment. The first batch consists of the three profitable utilities: FESCO (Faisalabad), GEPCO (Gujranwala), and IESCO (Islamabad) which together serve over 14 million consumers.

The government offered investors between 51% and 100% shareholding along with full management control. To clean their balance sheets, legacy liabilities and retired workers' pensions were transferred into a state-owned Special Purpose Vehicle (SPV) holding company. While Expressions of Interest (EOI) came from local groups like Engro, Hubco, and Lucky Cement, alongside Turkish and Chinese

firms, technical due diligence pushed expected handover dates into early 2027.

The proposed sale triggered nationwide protests led by the All Pakistan WAPDA Hydro Electric Workers Union over fears of job cuts and higher consumer tariffs

National Assembly Standing Committee on Privatization recommended protecting employees from termination for up to five years, though prospective buyers requested freedom to right-size surplus staff. Provincial leaders also questioned whether the sales required fresh approval from the Council of Common Interests

Rather than an outright sale, the federal government decided to outsource commercial and terminal operations at Pakistan's three largest airports: Islamabad, Karachi, and Lahore under 15 to 20-year public-private partnership concessions. Under this model, the state retains ownership of airport land and runways, while private operators manage passenger terminals, cargo handling, and retail facilities to bring in foreign direct investment

6) Legal and policy framework

i) Privatization Commission Ordinance, 2000

The **Privatisation Commission Ordinance, 2000** provides the legal basis for Pakistan's federal privatisation programme. It establishes the Privatisation Commission, which helps plan and carry out the sale of state-owned enterprises (SOEs). The process involves assessing the value of an enterprise and following the required procedures to ensure that the sale is fair and transparent.

Example: In 2006, the Supreme Court overturned the privatisation of Pakistan Steel Mills due to concerns about the sale process and the valuation of the company.

ii) State-Owned Enterprises (Governance and Operations) Act, 2023

The **SOE Act, 2023** sets rules for how government-owned businesses should be managed and held accountable. It focuses on improving management, board performance and financial responsibility. However, improving a company's management does not necessarily mean it must be sold; the government can also reform an enterprise while keeping ownership.

Example: Pakistan International Airlines (PIA) faced major financial difficulties, leading to restructuring and efforts to privatise the airline. Its case raises the question of whether selling an enterprise or improving its management is the better solution.

iii) Privatisation Methods and Government-to-Government Transactions

The **Privatisation (Modes and Procedures) Rules, 2001** explain the methods used to privatise state-owned enterprises. These include selling shares, selling assets, competitive bidding and transferring management or operational responsibilities. The **Government-to-Government (G2G) Rules, 2023** provide a framework for certain transactions between governments. Each method has different advantages, and the government must consider transparency, fair value and the interests of the public.

Example: First Women Bank was included in Pakistan's privatisation programme through a transaction involving the United Arab Emirates, providing an example of the G2G approach.

iv) Public Procurement and PPRA Rules, 2026

The **Public Procurement Regulatory Authority (PPRA)** oversees rules for purchasing goods and services by federal government agencies. The Public Procurement Rules, 2026 are relevant to covered procurement processes, helping promote transparency, fair competition and value for money. However, public procurement and privatisation are different processes, so PPRA rules do not automatically govern every sale of a state-owned enterprise.

Example: If a government agency hires consultants to help restructure an SOE, the applicable procurement rules may govern the selection of those consultants, while the sale of the enterprise follows the relevant privatisation laws.

v) Competition Act, 2010

The **Competition Act, 2010** aims to prevent unfair business practices and protect competition in the market. It gives the Competition Commission of Pakistan (CCP) powers to address practices such as abusing market dominance and mergers that harm competition. This is important because privatisation does not automatically guarantee lower prices or better services, especially when a company has few competitors.

Example: If a privately owned electricity distribution company abuses its dominant position to impose unfair conditions on consumers, competition law may apply alongside the rules of the power sector.

vi) Constitutional Provisions and Federal–Provincial Responsibilities

The **Constitution of Pakistan**, particularly Articles **154 and 157**, provides a framework for cooperation between the federal government and the provinces on certain shared policy matters. Article 154 concerns the Council of Common Interests (CCI), while Article 157 deals with electricity-related responsibilities. These provisions are relevant when privatisation plans affect provincial interests, especially in the power sector.

Example: Plans to privatise electricity distribution companies (DISCOs) raise questions about provincial consultation, control over electricity-related matters and the division of responsibilities between federal and provincial governments.

7) Stakeholders Involved in Privatisation

i) Government of Pakistan

The government aims to reduce financial losses, lower the burden on public funds and improve the performance of state-owned enterprises (SOEs). However, it must also consider the impact of privatisation on workers and the public.

ii) Privatisation Commission

The Privatisation Commission manages the privatisation process, including preparing enterprises for sale and helping carry out transactions. It plays an important role in ensuring that the process follows the relevant rules.

iii) Private Investors and Businesses

Private investors may be interested in buying SOEs because they see opportunities to earn profits and improve business performance. However, they may be discouraged by high debts, poor management or other financial risks.

iv) Employees and Labour Unions

Employees and labour unions are concerned about job security, salaries, pensions and other benefits. They may oppose privatisation if they believe it will lead to job losses or unfair treatment.

v) Consumers and the General Public

The public depends on many SOEs for essential services, including electricity and air travel. Consumers want reliable services, affordable prices and protection against unfair practices by private companies.

vi) Provincial Governments

Provincial governments may raise concerns when privatisation affects provincial interests or areas of shared responsibility. This is particularly relevant to electricity distribution companies (DISCOs), where federal decisions may have implications for the provinces.

vii) Regulatory Bodies and Creditors

Regulatory bodies help enforce competition, safety and service standards, while creditors are concerned about recovering money owed by SOEs. Both can influence how a privatisation deal is structured and whether the resulting business operates responsibly.

8) Questions

1. How can Pakistan privatise state-owned enterprises without harming ordinary citizens

2. What protection should be provided to employees before and after privatisation?

3. How can the government ensure that private owners do not excessively increase prices for essential services?

4. Should profitable state-owned enterprises also be privatised, or should the government retain them?

5. How should the government decide which enterprises to privatise, restructure or keep under state ownership?

6. What measures can prevent corruption and favoritism during privatisation deals?

7. How can the government ensure that state-owned enterprises are sold at a fair market value?

8. Should the government prioritize attracting foreign investors or supporting Pakistani businesses in privatisation deals?

9. How can Pakistan ensure that privatised companies maintain service quality and reliability?

10. What should happen if a private owner fails to meet the conditions of a privatisation agreement?

9) Sources

Government of Pakistan (2000) – *Privatisation Commission Ordinance, 2000* (Ordinance No. LII of 2000) and *Privatisation (Modes and Procedures) Rules, 2001*. Official Gazette of Pakistan.

National Assembly of Pakistan (2023) – *State-Owned Enterprises (Governance and Operations) Act, 2023* (Act No. VII of 2023). Islamabad: Ministry of Law and Justice.

National Assembly of Pakistan (2022) – *Inter-Governmental Commercial Transactions Act, 2022* (Act No. XXX of 2022). Islamabad: Ministry of Finance.

Parliament of Pakistan (1973) – *The Constitution of the Islamic Republic of Pakistan*, Articles 154 (Council of Common Interests) and 157 (Electricity).

Competition Commission of Pakistan (2010) – *Competition Act, 2010* (Act No. XIX of 2010). Government of Pakistan.

Ministry of Finance, Pakistan (2023–2024) – *Federal SOEs Annual Performance Reports and Triage Guidelines*. Islamabad: Finance Division.

Privatisation Commission of Pakistan (2024–2026) – *Official Transaction Status Updates: PIACL, FWBL, DISCOs, and Airport Concessions*. Islamabad: privatisation.gov.pk.

International Monetary Fund (2024) – *Pakistan: Request for an Extended Arrangement Under the Extended Fund Facility (EFF)*. IMF Country Report No. 24/302, Washington, D.C.

Asian Development Bank (2024) – *Transaction Advisory Services Agreement for Islamabad International Airport Outsourcing*. Manila: ADB Public-Private Partnership Division.

State Bank of Pakistan (2023–2024) – *Banking System Review: Minimum Capital Requirements and Capital Adequacy Regulations*. Karachi: SBP.

Supreme Court of Pakistan (2006) – *Watan Party and Others v. Federation of Pakistan (Pakistan Steel Mills Judgment)*. PLD 2006 SC 697.

National Electric Power Regulatory Authority (NEPRA) (2005–2024) – *K-Electric Shareholding Review and National Tariff Determination Reports*. Islamabad: NEPRA.

Dawn Newspaper (2024) – *"Sole PIA bid formally rejected, case sent back to cabinet"* (1 November 2024).

Dawn Newspaper (2025) – *"Arif Habib consortium emerges victorious in PIA auction with Rs135bn bid"* (24 December 2025) and *"PIA's privatisation"* (Editorial, 25 December 2025).

Dawn Newspaper (2024) – *"CCI approval for DISCOs debated in parliament"* (July 2024).

The Express Tribune (2024) – *"PIA debt burden shifted to taxpayers"* (February 2024) and *"Pakistan to raise $387 million in United Bank sale"* (June 2014).

The Express Tribune (2025) – *"Govt allocates Rs73bn contingency; Rs30bn interest on PIA Holdco debt"* (2025).

Business Recorder (2024–2025) – *"PIA Holdco debt restructuring term sheet and bank interest payouts"* & *"NA Standing Committee on Privatisation briefings on DISCOs and 15-year tax exemptions"*.

Al Jazeera & The Guardian (2016, 2020, 2025) – Reports on the 2016 PIA worker protests at Karachi Airport, the 2020 pilot licence suspension, and the 2025 televised auction.

IndustriALL Global Union (2024) – *"Pakistan: Electricity workers hold nationwide protests against DISCOs privatisation"*. Geneva: industriall-union.org.

Emirates News Agency (WAM) & FWBL Corporate (2024–2026) – *"Financial Close of First Women Bank G2G Divestment to UAE-based International Holding Company (IHC)"*. Abu Dhabi and Karac