State-Owned Enterprises Triage: Reforms & Way Forward

Finance Division

GOVERNMENT OF PAKISTAN

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Foreword

This report, titled 'State-Owned Enterprises (SOEs)Triage: Reforms and Way Forward', is a result of extensive consultative and collaborative work among Finance Division, International Monetary Fund, World Bank and Asian Development Bank. The SOEs Triage refers to a comprehensive review of existing SOEs portfolio for the purpose of their categorization for retention, privatization and liquidation was initiated in November 2019 as a part of IMF EFF 2019-22 *structural benchmark.*

A core team in Finance Division, under the overall supervision of Additional Finance Secretary (CF), was identified to collaborate with relevant stakeholders and to take the process forward whereas World Bank provided technical support for this purpose. A great deal of discussion was held on developing objective criteria of 'ownership rationale' of SOEs to be used for decision on retention or privatization. It was also agreed that the financial performance of SOEs as well as the associated fiscal risks should also be given due consideration in categorization of SOEs in various groups.

The initial findings and recommendations were submitted to the Cabinet Committee on State Owned Enterprises (CCoSOEs) to seek guidance from the august forum, particularly on the proposed parameters of ownership rationale and the scope of the exercise, which in its meeting held in August 2020 suggested certain improvements in the analytical framework and also identified 11 additional SOEs for their possible privatization. The report was accordingly restructured to incorporate the advice of CCoSOEs while Privatization Division started necessary consultation with the line ministries regarding 11 entities identified as potential privatization candidates. The initial draft was also shared with IMF and based on their feedback the report was finalized and resubmitted for the approval of the Federal Government as a baseline policy document. Cabinet Committee on State Owned Enterprises (CCoSOEs) in its meeting held on 20th January 2021 and the Federal Cabinet on 26th January 2021 approved the report.

The core team in Finance Division greatly benefited from the insight and guidance from Dr. Ishrat Hussain, Adviser to the Prime Minister on Institutional Reforms and Austerity, as well as from the leadership of Dr. Abdul Hafeez Sheikh, Minister for Finance and Revenue. Moreover, the finalization of this report would not have been possible without the support from Mr. Naveed Kamran Baloch, former Finance Secretary, and Dr. Kamran Ali Afzal, Finance Secretary, who collectively steered the entire process.

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Introduction

1. During the past decades, a number of State-Owned Enterprises (SOEs) were established including corporations, autonomous bodies, companies, authorities, funds and trusts to undertake functions which were not deemed to be the routine business of the Federal Government to be executed through its ministries and attached departments. These entities, in terms of their incorporation structure, are of several types i.e., (i) registered as companies with Securities and Exchange Commission of Pakistan, (ii) established through special enactments, and(iii) registered as trusts, funds and foundations. Moreover, with the passage of time and due to complexity of operations of these entities, several subsidiaries were incorporated thereby further expanding the size of SOEs portfolio. As of now, there are around 212 SOEs incorporated by the federal government including the subsidiaries, trusts, and funds.

2. Due to a number of administrative, management and policy issues, the financial position of various SOEs deteriorated over time resulting into significant fiscal burden for the federal government in addition to poor service delivery to the end-users. Moreover, the emergence of market-based solutions for efficient service delivery along with evolution of institutional arrangements like regulatory frameworks necessitated regular review of SOEs to ascertain their rationale or suitability for continued retention under government ownership and control. However, such process of review of SOEs remained slow and driven by exigencies instead of taking a holistic and continuous course.

3. For efficient management of SOEs, two key elements must be (i) a continuous review of SOEs portfolio in terms of their rationale of retention under government ownership and control, and (ii) undertaking steps for better management of SOEs particularly focusing on continuous and structured performance evaluation of SOEs against defined benchmarks and taking corrective steps in a timely manner.

4. In this backdrop, during the discussion and finalization of Extended Fund Facility (EFF) 2019-22 with IMF, the Government of Pakistan agreed to complete two structural benchmarks by end-September 2020 pertaining to SOEs portfolio which address both the above-mentioned considerations. The current report primarily addresses the long-overdue need of a comprehensive review of SOEs for their continued ownership and control by the government through a well-defined ownership rationale. Concurrently, Finance Division has been working closely with IMF and ADB to draft an SOE Bill and an SOE Ownership and Management Policy to fill the gaps in the existing SOEs governance structure and help the government in well-informed performance evaluation and oversight of SOEs.

Objective and scope of Triage

5. As mentioned above, the primary objective of the triage exercise is to comprehensively review Government of Pakistan's (GOP's) existing SOE portfolio to identify the SOEs which need to be retained by the government and those which should be privatized or liquidated. Moreover, the next steps, action plan and indicative timelines for various processes were also required to be developed.

6. This exercise is focused only on the commercial SOEs owned and controlled by the Federal Government, which comprise (i) SOEs that are companies established under the Companies Act, 2017 except those incorporated under Section 42, and (ii) the SOEs established through special enactments that have a substantial revenue stream from their services/user charges that substantially cover their costs. The following categories of entities have been excluded from this analysis:

i. Companies established under section 42 of the Companies Act,2017

ii. Universities, as well as academic, training and research institutions

iii. Regulatory Bodies

iv. Funds, trusts, and foundations

7. The key factors for limiting the exercise to the commercial SOEs are as follows:

- More than 98% of the government's assets and almost 100% of the losses in the SOEs portfolio are related to commercial SOEs
- The operational performance of commercial SOEs has a direct bearing on fiscal risks and fiscal deficit of the federal government
- The non-commercial SOEs are largely self-sustaining entities or are established to achieve a social objective which falls within the social policy objectives of the government which otherwise private sector is unable to perform

8. Although National Highway Authority (NHA) has been the major loss-making entity for several years, it has been excluded from the triage examination due to its unique nature of operations as NHA is simultaneously a regulatory body and is also the main implementing agency for highways projects generally financed from Public Sector Development Program (PSDP). Moreover, the losses of NHA mainly accrue due to its inability to generate revenues to service its loans, a matter which is currently under active consideration of the Economic Coordination Committee of the Cabinet.

9. Similarly, all regulatory bodies have been excluded from the triage examination like Pakistan Telecommunication Authority, Pakistan Electronic Media Regulatory Authority etc. mainly because the regulatory functions are different from commercial operations and are primarily meant for efficient functioning of imperfect markets.

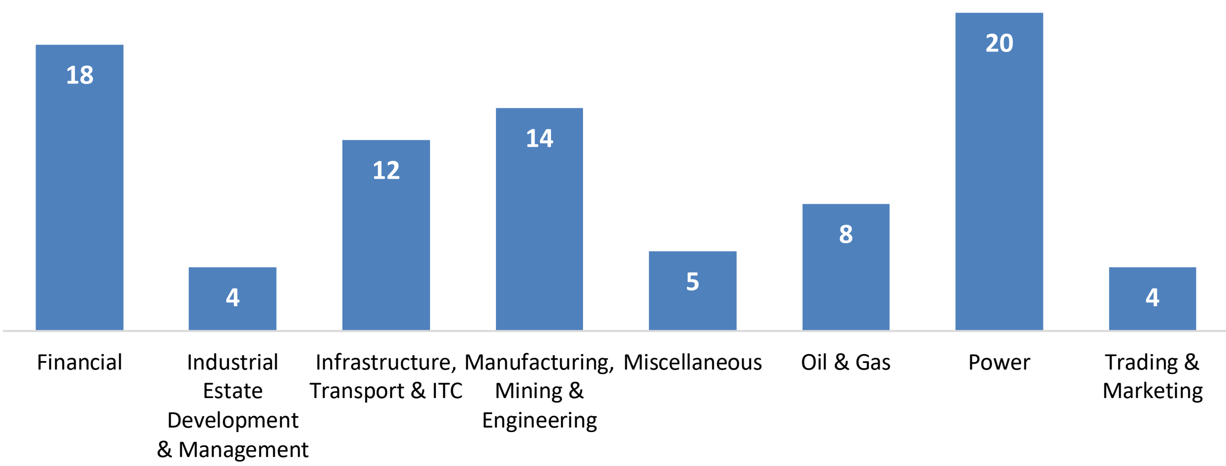
Section 1: Overview of SOEs in Pakistan

10. Currently, there are around 212 SOEs operating in various sectors of Pakistan with the following breakdown:

- 85 commercial SOEs,
- 44 Non-commercial SOEs (Section 42, not-for-profit entities as well as trusts, universities, training institutions and welfare funds), and
- 83 subsidiaries of the commercial SOEs

11. The 85 commercial SOEs, to which this exercise is focused, mainly operate in7 sectors: Power; Oil and Gas; Infrastructure Transport and Communication; Manufacturing, Mining and Engineering; Finance; Industrial Estate Development and Management; and Wholesale, Retail and Marketing **(Annex-I)**.

Figure 01: Portfolio of Commercial SOEs

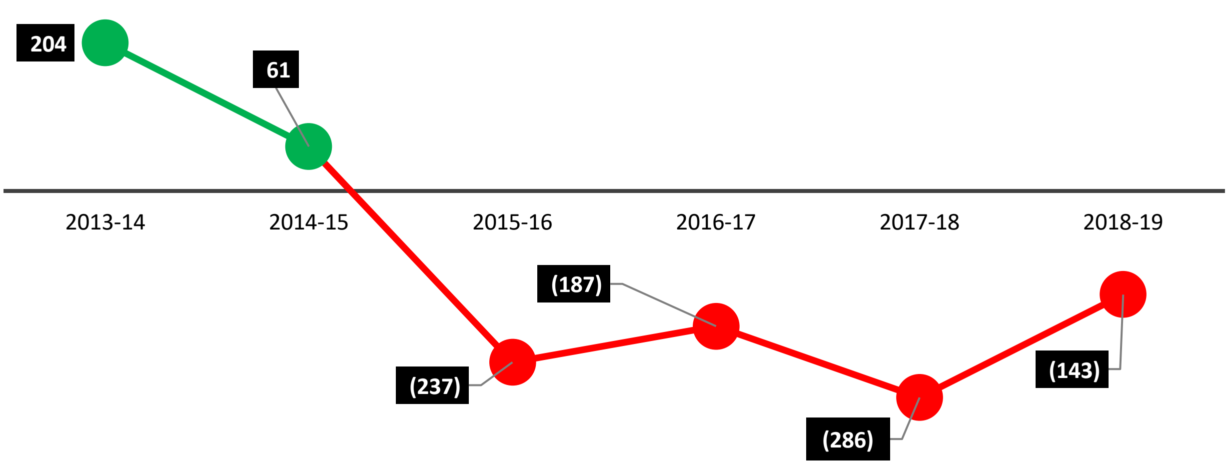


12. SOEs in Pakistan have significant market presence particularly in key service sectors like power generation and distribution, energy, aviation, and railways sectors. The overall revenues ofalltheSOEsin2018-19wasRs. 4 trillion (approx.) while the book value of their assets was Rs. 19 trillion. The revenues in 2018-19 were roughly 10% of nominal GDP. Additionally, SOEs provided employment to more than 450,000 people which constitutes around 0.8% of the total workforce.

13. Despite their important role in providing essential public goods and services, the financial performance of several SOEs has remained unsatisfactory. In FY 2018-19, the commercial SOEs collectively recorded net losses of Rs. 143 billion, which was significantly lower than net losses (Rs. 287 billion) incurred by the SOEs in FY2017-18. The improvement in SOEs performance was driven by Government of Pakistan's policies including (a)robust business growth in local up-stream oil and gas markets translating into significant gains for oil and gas companies, and (b)policy reforms and operational improvements in the power sector leading to timely tariff notifications in addition to improved recovery of past arrears.

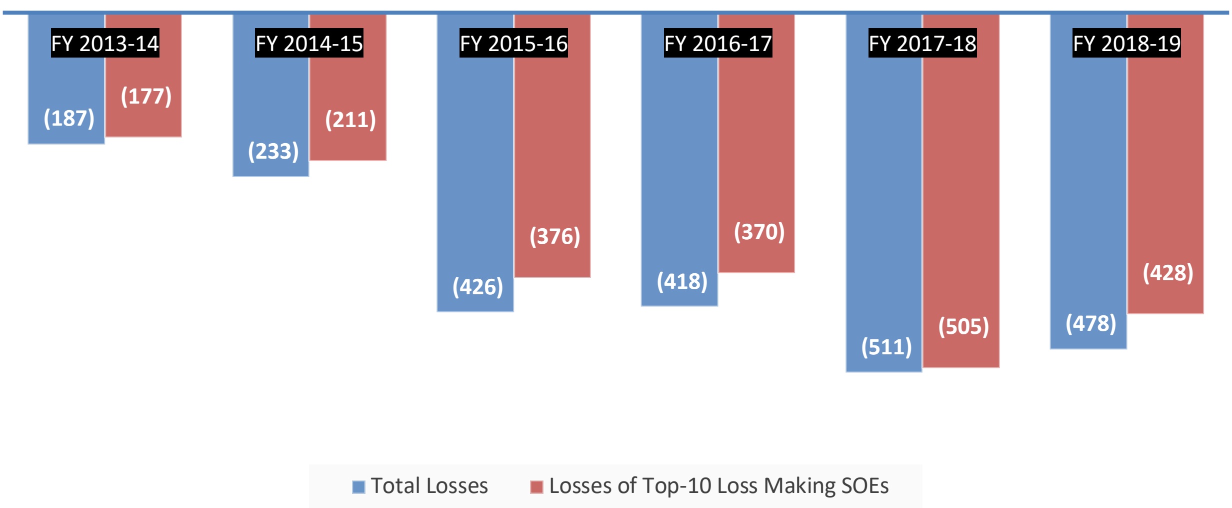
14. The concern that the financial performance of SOEs portfolio has declined over time is evident from the fact that in 2013-14, the year for which the consolidated data of SOEs is available, the SOEs recorded an overall net profit of Rs. 204 billion which fell to Rs. 61 Billion in the following year and declined further to record an aggregate loss. Since FY 2015-16 SOEs have consistently incurred significant losses creating a heavy burden on the GOP's fiscal position.

Figure 02: SOEs Net Pofit/(Loss) FY 2014-19
Rs. Billion



15. Further breaking down the performance of SOEs reveals that over past six years, one-third of the commercial SOEs have experienced losses intermittently. Moreover, the sum of the losses of top-10 loss-making SOEs contributes around 90% to the total losses of SOEs portfolio each year. NHA, Pakistan Railways, PIA and power sector DISCOs have been among the major, top 10 loss-makings SOEs **(Annex-II)**.

Figure 03: Contribution of Top-10 Loss-Making SOEs
Rs. Billion



Section 2: Triage Methodology

16. Thefundamentalprincipletoevaluateifaneconomicactivitymustbeundertakenbythegovernment itself (directly through its departments/institutions or indirectly through an SOE) hinges on two questions i.e.,

a. Does the economic activity to be undertaken fall within the public policy framework of the government?
b. Can the economic activity be performed by the private sector?

Based on the set of questions, an appropriate analytical framework was developed with the technical assistance of World Bank which is briefly discussed below.

Public Policy Framework

17. Public Policy Framework refers to the overall economic development priorities of the Government of Pakistan. These priorities are reflected in a number of policy documents including Principles of Policy (Clause 3 of the Constitution of Islamic Republic of Pakistan), and the sectorial polices like Agriculture Policy, Industrial Policy, Trade Policy Framework etc. Moreover, important decisions regarding the institutional set-up for policy implementation are also part of the Public Policy Framework.

18. In order to focus the applicability of PPF in the choice of SOEs for retention or privatization, the operational definition of PPF is used in the context of Pakistan's economic environment whereby the following categories of SOEs are categorized as Performing Core Functions:

i. Ensuring national food security
ii. Developing and managing large scale infrastructure requiring substantial investments
iii. National defense and security related entities
iv. Entities established through G2G or inter-governmental arrangements
v. Entities supplying goods and services of national economic interest

Market Failure

19. The second question in our analytical framework relates to an evaluation if an economic function can be performed by the private sector or not? Accordingly, each SOE was individuallyevaluatedintermsofitsoperationsandfunctionstoassessifthefunctioncanbeperformed by the private sector based on existing market structure. The following aspects were duly considered while evaluating the SOEs:

a. Is the SOE a natural monopoly? If yes, is there an appropriate regulatory framework present to ensure socially optimal and cost-effective service delivery in case the function is performed by the private sector?

b. Is the SOE performing a function that has significant positive externalities and is therefore less profitable for the private sector to perform?
c. Is there an alternate delivery mechanism available to achieve the objectives?

Financial Viability

20. In order to further support our analysis regarding the categorization of SOEs, the recent financial performance of SOEs was taken into account to divide them into financially viable and/or financially stressed entities. The brief explanation of financial viability analysis is given below.

21. Financial viability refers to an organization's ability to generate sufficient revenues to meet operating costs, debt commitments and where applicable, to allow to invest in its business to achieve growth while maintaining desirable service levels. Financial viability is assessed through different measures that evaluate the SOE's profitability, cash flows and its ability to continue as a going concern. Keeping the above in view, the financial viability test of SOEs was based on the following criteria:

a. **Negative Shareholders' Equity:** Negative equity creates a material uncertainty regarding a company's ability to continue as a going concern, as it indicates that a company's liabilities exceed its assets. Any entity which has negative equity for the last three years are deemed financially stressed because its balance sheet is not bankable and therefore it is dependent on government's support to obtain finances from the commercial banks under GoP guarantee or direct support from the budget.

b. **Continuous losses:** Any entity having losses during the last three years is also categorized as financially stressed because the losses result into dependence on GoP support or lead to gradual erosion of equity.

c. **Return on Assets (ROA):** One of the key measures to assess financial viability of a company is its Return on Equity (ROE). However, if shareholder's equity is negative, the ratio of profit to equity results in a negative ROE which is not an appropriate measure to evaluate performance. Therefore, a more appropriate measure is ROA which tells how well the management is utilizing the company's various resources(assets) to generate earnings. ROA is also preferred over ROE as ROE can be impacted by the SOE's gearing – the ratio of total debt to total assets. If total debt is high, then assets are supported by comparatively less equity and therefore the ROE would be higher than if the SOE had less debt and more equity. ROA is calculated by dividing net profit by total assets. As per industry standards, SOEs that do not have an ROA of 5% or above for the last three consecutive years is categorized as financial stressed.

Section 3: Results of SOE Triage

22. A detailed and rigorous exercise was undertaken to examine each SOE based on the ownership rationale and its financial performance as explained in Section 2and all the commercial SOEs are categorized into various groups as follows:

Category 1	SOEs to be retained under state ownership

23. The SOEs in this category are those which are performing core functions and fall within the scope of Public Policy Framework explained in Section 2 above. These SOEs are sub-divided into two categories according to their financial performance.

Subcategory (1a) Annex-III	The SOEs which are performing core functions and are financially viable/profitable.

24. Among the SOEs performing core functions, 25 SOEs were profitable in FY 2018-19. Using a more stringent criteria to evaluate their financial viability as explained in the last section, four SOEs are categorized as financially viable, namely GHPL, Pak-Arab Refinery Company, Pak-Kuwait Investment Company and Pakistan Revenue Automation Ltd. Another 19 entities have been consistently profit-making during the last three years - FY 2017, FY 2018 and FY2019 - however, their ROAs have been lower than the threshold required. Another two SOEs - CPPA and Pak-Iran Investment Company – have positive equity and were profitable in FY 2017 and FY2019.

25. Although these SOEs are financially self-sustaining their financial performance needs improvement which shall be addressed through institutional reforms to be undertaken including governance improvement through an Ownership and Management Policy for SOEs, operationalization of the Central Monitoring Unit in Finance Division and the introduction of an SOE Bill in the Parliament. Apart from sector specific reforms that will be undertaken from time to time, a well-structured and institutionalized mechanism of performance monitoring and reporting of SOEs shall be put in place through the SOE Ownership and Management Policy with the objective of improving the financial outcomes of these SOEs to the desired level.

	Retain and Restructure
Subcategory (1b) Annex-IV	**Already Under Restructuring & Reform** The SOEs which are already under restructuring and sectoral reforms. **Immediate Restructuring Required** The SOEs to be retained but need restructuring for improved financial performance.

26. There are 14 entities which are planned to be retained under government ownership but require immediate reforms and possible restructuring. Among them Pakistan Railways and Pakistan International Airlines which were collectively making a loss of Rs. 88 billion in FY 19, are already under active restructuring and reform process explained below.

27. Pakistan Railways (PR) is currently implementing a comprehensive restructuring plan which aims to enhance operational and financial efficiency to curtail losses and improve service delivery. The restructuring plan envisages to expand freight operations to cater excess freight demand and generate additional revenue, strengthen the office of GM/CEO of Pakistan Railways, rationalize the existing workforce and ensure work efficiency among its employees. Pakistan Railways improved its performance by curtailing its losses during FY 2018-19. However, Covid-19 Pandemic has negatively affected its operations since March 2020. The Government of Pakistan is taking steps for improving its operational efficiency through private sector participation and managing its financial position, particularly, through addressing the core issue of pension liability.

28. Pakistan International Airlines has initiated a reform process by route rationalization and bringing efficiency in human resource management. The new management in PIA has paid a greater attention towards punctuality of flights and maintenance of aircrafts that has resulted in increased revenue during last fiscal year. New aircrafts are also being added. However, COVID19 has impacted PIA severely like every other airline. The reform plan of PIA will have to incorporate this new reality in the post COVID19 world. Aviation policy has also been updated to restructure the aviation sector. GoP under the lead of Dr. Ishrat Hussain, Adviser to Prime Minister on Institutional Reforms and Austerity, has finalized PIA restructuring plan aiming wide ranging reforms in all segments of the organization, and is under active implementation.

29. During FY 19, collective losses of rest of the SOEs in this subcategory were around Rs. 17 billion out of which Pakistan Post Office had the largest losses of over Rs. 9 billion. A major source of losses of this entity generates due to the annual pension liability. The government is taking steps for establishment of a pension fund for Pakistan Post Office.

Category 2	**SOEs to be Privatized or Liquidated**

30. This category includes SOEs which are not performing core functions as covered in the Public Policy Framework and therefore are recommended either for privatization or liquidation. Accordingly, the SOEs are grouped into following four sub-categories.

Subcategory (2a) Annex-V	Already Under Privatization

31. There are 10 SOEs which are on an active privatization list and are at various stages of the privatization process. Pakistan Steel Mills is an important entity on the active list and is at an advanced stage of the privatization process. SME bank is another loss making SOE which is on active privatization list. In addition to these, partial divestment of OGDCL and PPL is also underway.

Subcategory (2b) Annex- VI	SOEs to be Privatized in Next Phase

32. 24 SOEs are identified for the next batch of privatization, 12 of which were loss making in FY 2018-19 with a combined loss of Rs. 156 billion. Among the loss making SOEs proposed for privatization, the major loss-making entities are 8 DISCOs (HESCO, IESCO, PESCO, SEPCO, MEPCO, LESCO, FESCO and QESCO), 1 GENCO (Jamshoro Power Company) along with Pakistan Textile City Ltd., State Engineering Corporation and Telephone Industries of Pakistan.

Subcategory (2c) Annex-VII	Potential Privatization Candidates

33. 10 SOEs have been identified as potential privatization candidates and due consultations with line ministries have already been initiated. In FY 2018-19, six entities were loss making with a combined loss of Rs. 38.5 billion mainly emanating from ZTBL (Rs. 18 billion), SSGC (Rs. 14.8 billion) and USC (Rs. 5 billion).

Subcategory (2d) Annex-VIII	Under Liquidation

34. Industrial Development Bank of Pakistan is already under the process of liquidation. Steps shall be taken for early completion of the liquidation process.

Section 4: Way Forward

35. The outcome of this triage report shall serve as the basic policy document for all the concerned ministries/divisions and other stakeholders. A detailed action matrix is also attached (Annex-IX) to guide the concerned ministries/divisions to take appropriate action within the indicated timeframe. The progress against timelines shall be monitored by the Cabinet Committee on State Owned Enterprises (CCoSOEs) regularly through Central Monitoring Unit (CMU) being established in Finance Division. Progress reporting regarding triage outcomes shall be a regular function of the CMU. Moreover, the overall review of SOE portfolio shall be undertaken after every three years and the CMU shall provide necessary coordination and secretarial support for CCoSOEs in this regard.

36. While it is important that the Government of Pakistan takes appropriate steps towards downsizing the existing portfolio of SOEs through clearly defined ownership criteria, it is equally important that the SOEs, whether these are retained in the long run or are retained till these are liquidated, divested, or privatized, are managed through introducing appropriate governance framework and oversight mechanisms. The reform process to improve financial and operational performance of the SOEs is simultaneously critical and the steps already taken in this direction by the Government of Pakistan during the last few years have been further strengthened by active engagement of development partners (IMF, WB and ADB). The collaboration between the Government of Pakistan and the development partners has resulted into drafting of an SOE bill and undertaking of this triage exercise. In addition to these two processes, the government plans to develop and implement an SOE Ownership and Management Policy and operationalization of the Central Monitoring Unit (CMU) in Finance Division. The CMU shall undertake periodical SOE portfolio review against agreed financial and non-financial performance benchmarks and shall submit its reports directly to CCoSOEs.

Privatization

37. The decision of inclusion or exclusion of any property, rights, concession etc. in the privatization list is taken by the Cabinet Committee on Privatization on the proposals of the concerned ministries/divisions. While the proposed entity remains within the administrative control of the relevant ministry, the privatization process is managed by the Privatization Commission as per the prescribed procedure. The restructuring of any entity, which is under privatization, is undertaken by line ministries in consultation with the Privatization Commission.

38. The entities identified for privatization in Category (2b) and (2c) shall be processed by the line ministries/divisions for consideration of the Cabinet Committee on Privatization as per indicative timelines in the Action Matrix and Timeline for Implementation of SOE Triage Outcome (Annex-IX). The privatization shall be undertaken in phases, taking into consideration the readiness of the entity for privatization as well as the market appetite. Prioritization of entities on the privatization list shall be decided by the Cabinet Committee on Privatization, as per its mandate, by taking into account inter-alia, the financial and operational performance of the entity concerned, the associated fiscal risk as well as the market conditions.

SOE Bill

39. For better management of SOE portfolio, the Government of Pakistan has worked closely with IMF, ADB and World Bank to draft an SOE Bill which shall be shortly submitted to the parliament. The proposed law shall introduce structured governance reforms in the management and oversight of the SOEs.

40. Through this proposed enactment, the boards of directors of the SOEs shall be given more autonomy in terms of decision-making in addition to ensuring the separation of the office of chairman from the CEO in all SOEs including entities established through special enactments. Moreover, the role of the line ministries/divisions shall be streamlined for operational autonomy of the SOEs.

SOE Ownership and Management Policy

41. The Government of Pakistan has started working on an SOE Ownership and Management Policy with technical support from ADB and IMF. So far, no policy framework exists in Pakistan which covers the entire SOEs portfolio. To address current policy gap, and the diversity of sectors and legal and institutional frameworks in which the SOEs operate, the Government of Pakistan intends to develop a policy to manage these SOEs through a coherent and institutionalized arrangement. The clarity on the ownership rationale of SOEs; the role of the Federal Government as shareholder and the manner of the exercise of the ownership function; the respective roles and responsibilities of the federal government, line ministries and the boards of SOEs; frameworks of competitive neutrality and public sector obligation; and necessary reporting and decision-making processes shall be important components of the proposed policy.

Central Monitoring Unit

42. Finance Division has initiated steps for the establishment of a Central Monitoring Unit which shall function as the central database and analytical unit for all the SOEs and shall report directly to the Federal Government. The unit shall be staffed with experts to be hired from the market and necessary resources for its working shall be provided. The CMU shall have access to necessary financial and non-financial information of each SOE and the business plans and target performance outcomes. The Unit shall prepare periodical performance evaluation reports of the SOEs and assist the Federal Government on matters of critical importance for better management of SOEs and their improved performance.

List of Commercial SOEs Selected for Triage

Annex-I

S. No	Entity Name
1	Central Power Purchase Agency (Guarantee) Limited
2	Exim Bank of Pakistan Limited
3	Export Processing Zones Authority
4	Faisalabad Electric Supply Company Limited
5	First Women Bank Limited
6	Gawadar Port Authority
7	GENCO-I: Jamshoro Power Company Limited
8	GENCO-II: Central Power Generation Company Limited, Thermal Power Station, Guddo
9	GENCO-III: Northern Power Generation Company Limited, Thermal Power Station, Muzaffargarh
10	GENCO-IV: Lakhra Power Generation Company Limited
11	Government Holdings (Private) Limited
12	Gujranwala Electric Power Company Limited
13	Heavy Mechanical Complex (Private) Limited
14	House Building Finance Company Limited
15	Hyderabad Electric Supply Company Limited
16	Industrial Development Bank Limited
17	Islamabad Electric Supply Company Limited
18	Karachi Port Trust
19	Karachi Shipyard and Engineering Works Limited
20	Karachi Urban Transport Corporation
21	Lahore Electric Supply Company Limited
22	Lakhra Coal Development Company Limited
23	Multan Electric Power Company Limited
24	National Bank of Pakistan
25	National Construction Limited
26	National Engineering Services Pakistan (Private) Limited
27	National Fertilizer Corporation of Pakistan (Private) Limited
28	National Insurance Company Limited
29	National Investment Trust Limited
30	National Power Parks Management
31	National Security Printing Company
32	National Telecommunication Corporation
33	National Transmission and Dispatch Company
34	Oil and Gas Development Company Limited

S. No	Entity Name
35	Overseas Employment Corporation (Private) Limited
36	Pak Arab Refinery Company
37	Pak Brunei Investment Company
38	Pak China Investment Company Limited
39	Pak Iran Investment Company
40	Pak Kuwait Investment Company (Private) Limited
41	Pak Libya Holding Company (Private) Limited
42	Pak Oman Investment Company
43	Pakistan Agricultural Storage & Services Corporation Limited
44	Pakistan Broadcasting Corporation
45	Pakistan Electric Power Company (Private) Limited
46	Pakistan Environmental Planning & Architectural Consultants (Private) Limited
47	Pakistan Expo Centers (Pvt) Ltd
48	Pakistan Industrial Development Corporation (Private) Limited
49	Pakistan International Airlines Corporation
50	Pakistan Mineral Development Corporation (Private) Limited
51	Pakistan National Shipping Corporation
52	Pakistan Petroleum Limited
53	Pakistan Post Office
54	Pakistan Railways
55	Pakistan Reinsurance Company Limited
56	Pakistan Revenue Automation (Private) Limited
57	Pakistan State Oil Company Limited
58	Pakistan Steel Mills Corporation (Private) Limited
59	Pakistan Television Corporation Limited
60	Pakistan Textile City
61	Pakistan Tourism Development Corporation
62	Peoples Steel Mills Limited
63	Peshawar Electric Supply Company Limited
64	Port Qasim Authority
65	Power Holding (Private) Limited
66	Printing Corporation of Pakistan (Private) Limited
67	Quetta Electric Supply Company Limited

S. No	Entity Name
68	Saindak Metals Limited
69	Saudi Pak Industrial and Agricultural Investment Company Limited
70	Small and Medium Enterprise Development Authority
71	SME Bank
72	State Engineering Corporation (Private) Limited
73	State Life Insurance Corporation
74	State Petroleum Refining & Petrochemical Corporation
75	STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited
76	Sui Northern Gas Pipelines Limited
77	Sui Southern Gas Company Limited
78	Sukkur Electric Power Company Limited
79	Telephone Industries of Pakistan
80	Trading Corporation of Pakistan (Private) Limited
81	Tribal Electric Supply Company Limited
82	Utility Stores Corporation (Private) Limited
83	Water and Power Development Authority
84	Zarai Taraqiati Bank Limited

List of Top-10 Loss Making SOEs FY 2013-14 to FY 2018-19

Annex-II

S. No	Loss-Making SOEs	FY14	FY15	FY16	FY17	FY18	FY19
1	Faisalabad Electric Supply Company Limited	⦿	⦿	✓	✓	✓	⦿
2	GENCO-III: Northern Power Generation Company Limited, Muzaffargarh	✓	⦿	⦿	⦿	⦿	⦿
3	Hyderabad Electric Supply Company Limited	✓	✓	✓	✓	✓	⦿
4	Islamabad Electric Supply Company Limited	⦿	⦿	⦿	⦿	✓	⦿
5	Lahore Electric Supply Company Limited	⦿	✓	✓	✓	✓	✓
6	Multan Electric Power Company Limited	⦿	⦿	⦿	✓	✓	✓
7	National Highway Authority	✓	✓	✓	✓	✓	✓
8	Pakistan Broadcasting Corporation	⦿	✓	⦿	⦿	⦿	⦿
9	Pakistan International Airlines Corporation	✓	✓	✓	✓	✓	✓
10	Pakistan Post Office	✓	⦿	⦿	⦿	⦿	⦿
11	Pakistan Railways	✓	✓	✓	✓	✓	✓
12	Pakistan Steel Mills Corporation (Private) Limited	✓	✓	✓	✓	⦿	✓
13	Peshawar Electric Supply Company Limited	✓	✓	✓	✓	✓	✓
14	Quetta Electric Supply Company Limited	⦿	✓	✓	✓	✓	✓
15	Sui Northern Gas Pipelines Limited	✓	⦿	⦿	⦿	⦿	⦿
16	Sui Southern Gas Company Limited	✓	⦿	⦿	⦿	⦿	⦿
17	Sukkur Electric Power Company Limited	⦿	✓	✓	⦿	⦿	✓
18	Zarai Taraqiati Bank Limited	⦿	⦿	⦿	⦿	⦿	✓

⦿ Entities not among top-10 loss-making SOEs in a given year.

✓Entities among top-10 loss-making SOEs in a given year.

Triage Outcome

Annex-III: Sub-Category (1a)

Category 01: SOEs to be Retained by GoP

S. No	SOE Name	Financial Implication/ Net Profit FY 2018-19 (Rs. Million)	Public Policy Framework	Rationale for Retention
Financially Viable SOEs (RoA>5%)				
1	Government Holdings (Private) Limited	34,179	Supplying goods and services of national economic interest	An entity with exclusive rights of shareholding with international investment partners in (E&P) sector.
2	Pak Arab Refinery Company	12,335	Entities established through G2G arrangement	Established under bilateral arrangement.
3	Pak Kuwait Investment Company (Private) Limited	4,743	Entities established through G2G arrangements	Established under bilateral arrangement.
4	Pakistan Revenue Automation (Private) Limited	146	Supplying goods and services of national economic interest	The company is established to provide essential IT solutions to FBR and therefore, cannot be privatized. Handling sensitive tax related information of individuals and business.
Profitable SOEs (RoA<5%)				
5	National Bank of Pakistan	16,647	Supplying goods and services of national economic interest	Apart from the banking services NBP serves as a treasury of the federal government.
6	National Transmission and Dispatch Company	11,236	Developing and managing essential infrastructure and services requiring large investments	A core entity for power supply chain.
7	Pakistan State Oil Company Limited	10,587	Supplying goods and services of national economic interest	A core entity to keep energy supply chain uninterrupted.

S. No	SOE Name	Financial Implication/ Net Profit FY 2018-19 (Rs. Million)	Public Policy Framework	Rationale for Retention
8	Port Qasim Authority*	6,779	Developing and managing essential infrastructure and services requiring large investments	The entity lies at the border point and is required for GoP policy intervention.
9	Pakistan National Shipping Corporation	2,194	Supplying goods and services of national economic interest	Under reforms and to be considered for privatization later.
10	Pakistan Agricultural Storage & Services Corporation Limited	1,592	Ensuring National Food Security	Maintaining strategic reserves of wheat.
11	Trading Corporation of Pakistan (Private) Limited	1,086	Ensuring National Food Security	An entity playing a counter-balancing role to ensure food security.
12	Pak China Investment Company Limited	760	Entities established through G2G arrangements	Established under bilateral arrangement.
13	Karachi Port Trust	703	Developing and managing essential infrastructure and services requiring large investments	The entity lies at the border point and is required for GoP policy intervention.
14	Exim Bank of Pakistan Limited	647	Supplying goods and services of national economic interest	To encourage export-oriented projects and business, bank provides export financial and export insurance services.
15	National Security Printing Company	1,527	National Security and defense related entities	Printing official and legal documents.
16	Pak Oman Investment Company	504	Entities established through inter-governmental arrangements	Established under bilateral arrangement.
17	Karachi Shipyard and Engineering Works Limited	470	National Security and defense related entities	Defense related entity.
18	Pak Brunei Investment Company	403	Entities established through G2G arrangements	Established under bilateral arrangement.
19	Saudi Pak Industrial and Agricultural Investment Company Limited	283	Entities established through G2G arrangements	Established under G-to-G agreement. The government of Pakistan maintains only has 50 % of the shares, further divestment not possible. The main business of company is to invest in project financing and working capital needs of the manufacturing sector of Pakistan.
20	Pak Iran Investment Company	242	Entities established through G2G arrangements	Established under bilateral arrangement.

S. No	SOE Name	Financial Implication/ Net Profit FY 2018-19 (Rs. Million)	Public Policy Framework	Rationale for Retention
21	Central Power Purchase Agency (Guarantee) Limited	84	Supplying goods and services of national economic interest	Principal entity to account for sale/purchase transactions of entire electricity sector.
22	National Telecommunication Corporation	20	National Security and defense related entities	Providing secure networks services to GoP.
23	Power Holding (Private) Limited	13	Developing and managing essential infrastructure and services requiring large investments	Entity is an SPV for mobilizing financing for entire power sector.
24	Karachi Urban Transport Corporation*	10	Entities established through inter- governmental arrangements	It is an intergovernmental organization (GoP and Govt of Sindh) for execution of infrastructure projects in Karachi.
25	Peoples Steel Mills Limited	-	National Security and defense related entities	Defense production

* Data relates to FY 2017-18

Annex IV: Sub-Category (1b)

Category 1: SOEs Retained & Restructured by GoP

S. No	SOE Name	Financial Implication Net Profit (Loss) FY2018-19 (Rs. Million)	Public Policy Framework	Rationale for Retention
Already Under Restructuring and Reform				
1	Pakistan International Airlines Corporation	(56,037)	Supplying goods and services of national economics interest	To advance aviation policy. Entity under restructuring for privatization subsequently.
2	Pakistan Railways	(32,769)	Developing and managing essential infrastructure and services requiring large investments	To privatize, initially operationally infrastructure.
Restructuring				
3	Pakistan Television Corporation Limited	1,226	Supplying services of national interest	State Media
4	Pakistan Post Office	(9,135)	Developing and managing essential infrastructure and services requiring large investments	Providing necessary communication services across the country.
5	Water and Power Development Authority	(7,724)	Developing and managing essential infrastructure and services requiring large investments	To mobilize the resources for hydropower projects and balancing out high tariff of basket energy prices.
6	Gawadar Port Authority	(582)	Developing and managing essential infrastructure and services requiring large investments	Private sector participation in operations of GPT already in place,
7	Pak Libya Holding Company (Private) Limited	(303)	Entities established through inter-governmental arrangements	Established under bilateral arrangement.

S. No	Entity Name	Financial Implication Net Profit (Loss) FY2018-19 Rs. (Million)	Public Policy Framework	Rationale for Retention
8	Pakistan Broadcasting Corporation	(206)	National Security and defense related entities	To be retained as basic state media.
9	Printing Corporation of Pakistan (Private) Limited	(124)	National Security and defense related entities	Providing printing to federal and provincial governments as well as autonomous bodies and public corporations; involved in printing of budget documents, official gazette, election ballot papers among others.
10	Small and Medium Enterprise Development Authority	(46)	Supplying goods and services of national economics interest	SMEDA undertakes support services for small and medium enterprises, including trainings and skill development. Private sector cannot perform the functions due to externalities.
11	Pakistan Industrial Development Corporation (Private) Limited	133	Supplying goods and services of national economics interest	The entity is undertaking diverse range of industrial sector interventions. Reforms are underway in PIDC, particularly mergers and winding up of its subsidiaries.
12	Heavy Mechanical Complex (Private) Limited	(9)	National Security and defense related entities	Entity has been taken over by defense for restructuring.
13	STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited	(1)	Supplying goods and services of national economics interest	To facilitate commercialization of indigenously researched products, processes, and technologies and to assist all Public Sector R&D Institutions in their commercialization efforts.
14	Pakistan Electric Power Company (Private) Limited	(0)	Developing and managing essential infrastructure and services requiring large investments	An entity playing the role of managing agent of DISCOs and GENCOs.

Annex V: Sub-Category (2a)

Category 02: Already Under Privatization

S. No	Entity Name	Financial Implication Net Profits (Loss) FY 2018-19 Rs. Million	FA Hiring	Due Diligence	Transaction Structure	Invitation & Prequalification of investors	Bidding Process	Financial Closure
1	Pakistan Steel Mills Corporation (Private) Limited	(16,550)	✓	✓	✓			
2	SME Bank	(1,073)	✓	✓	✓	✓		
3	GENCO-III: Northern Power Generation Company Limited, Thermal Power Station, Muzaffargarh*	(694)						
4	First Women Bank Limited	247	✓	✓	✓			
5	Pakistan Reinsurance Company Limited	690	✓	✓	✓			
6	State Life Insurance Corporation	2,011	The process is contingent upon corporatization.					
7	House Building Finance Company Limited	2,762	✓	✓	✓			
8	GENCO-II: Central Power Generation Company Limited, Thermal Power Station, Guddo	3,517	Hiring of FA is under process.					
9	Pakistan Petroleum Limited	59,459	The process for hiring of FA has been initiated.					
10	Oil and Gas Development Company Limited	118,386	The process for OGDCL will be initiated after PPL's FA is on board.					

* GENCO-III comprises of (1) SPS Faisalabad; (2) GTPS Faisalabad; (3) TPS Muzaffargarh and (4) TPS Nandipur. PC is currently processing privatization of TPS Nandipur, FA has completed Due Diligence (DD) and said DD has been shared with stakeholders for review.

Annex VI: Sub-Category (2b)

Category 2: SOEs to be Privatized in Next Phase

S. No	Entity Name	Financial Implication Net Profit (Loss) FY 2018-19 (Rs. Million)
DISCOS		
1	Quetta Electric Supply Company Limited	(36,832)
2	Lahore Electric Supply Company Limited	(31,622)
3	Peshawar Electric Supply Company Limited	(29,263)
4	Multan Electric Power Company Limited	(22,782)
5	Sukkur Electric Power Company Limited	(10,956)
6	Faisalabad Electric Supply Company Limited	(8,057)
7	Islamabad Electric Supply Company Limited	(7,593)
8	Hyderabad Electric Supply Company Limited	(6,753)
9	Tribal Electric Supply Company Limited	4,309
10	Gujranwala Electric Power Company Limited	6,496
GENCOs		
11	GENCO-I: Jamshoro Power Company Limited	(1,613)
12	National Power Parks Management	18,993
13	GENCO-IV: Lakhra Power Generation Company Limited	1,955
14	State Petroleum Refining & Petrochemical Corporation	-
Manufacturing, Mining & Engineering		
15	Pakistan Textile City	(342)
16	Telephone Industries of Pakistan	(100)
17	State Engineering Corporation (Private) Limited	(10)
18	Saindak Metals Limited	732
19	Pakistan Mineral Development Corporation (Private) Limited	294
20	Lakhra Coal Development Company Limited	3
Wholesale, Retail & Marketing		

S. No	Entity Name	Financial Implication Net Profit (Loss) FY 2018-19 (Rs. Million)
21	National Fertilizer Corporation of Pakistan (Private) Limited	583
Real Estate Development &Management		
22	Export Processing Zones Authority	182
23	National Construction Limited	2
Financial Institutions		
24	National Insurance Company Limited	1,867

Annex VII: Sub-Category (2c)

Category 2: Potential Privatization Candidates

S. No	Entity Name	Financial Implication Net Profit (Loss) FY 2018-19 (Rs. Million)
1	Zarai Taraqiati Bank Limited	(18,281)
2	National Investment Trust Limited	1,008
3	Sui Southern Gas Company Limited*	(14,848)
4	Sui Northern Gas Pipelines Limited	7,076
5	Utility Stores Corporation (Private) Limited	(5,006)
6	Pakistan Expo Centers (Pvt) Ltd	(236)
7	Pakistan Environmental Planning & Architectural Consultants (Private) Limited	(29)
8	National Engineering Services Pakistan (Private) Limited	698
9	Overseas Employment Corporation (Private) Limited	57
10	Pakistan Tourism Development Corporation	(21)

* Data relates to FY 2017-18

Annex VIII: Sub-Category (2d)

Category 2: Under Liquidation

S. No	Entity Name	Financial Implication Net Profit (Loss) FY 2018-19 (Rs. Million)
1	Industrial Development Bank Limited	194

Annex IX: Triage Action Matrix

DISCOs

	Actions	Responsibility	Duration
Action 01	Policy Reforms and Restructuring Proposals	Power Division	12 Months
Action 02	Implementation of Restructuring Plan	Power Division	12 Months
Action 03	Processing for inclusion in the privatization list	Power Division and Privatization Commission	6 Months
Action 04	Hiring of FA	Privatization Commission	6 Months
Action 05	Transaction Structuring	Power Division Privatization Commission	6 Months
Action 06	Bidding Process for Privatization	Privatization Commission	6 Months

Note: Relates to Annex VI: Sub-Category (2b), "SOEs to be Privatized in Next Phase" above.

GENCOs

	Actions	Responsibility	Duration
Action 01	Processing for inclusion in the privatization list	Power Division and Privatization Commission	12 Months
Action 02	Hiring of FA	Privatization Commission	6 Months
Action 03	Transaction Structuring	Power Division Privatization Commission	6 Months
Action 04	Bidding Process for Privatization	Privatization Commission	6 Months

Note: Relates to Annex VI: Sub-Category (2b), "SOEs to be Privatized in Next Phase" above.

Other SOEs*

	Actions	Responsibility	Duration
Action 01	Restructuring/Privatization Proposals	Relevant Division	6 Months
Action 02	Processing for inclusion in the privatization list	Relevant Division and Privatization Commission	6 Months
Action 03	Hiring of FA	Privatization Commission	6 Months
Action 04	Transaction Structuring	Privatization Commission	6 Months
Action 05	Bidding Process for Privatization	Privatization Commission	6 Months

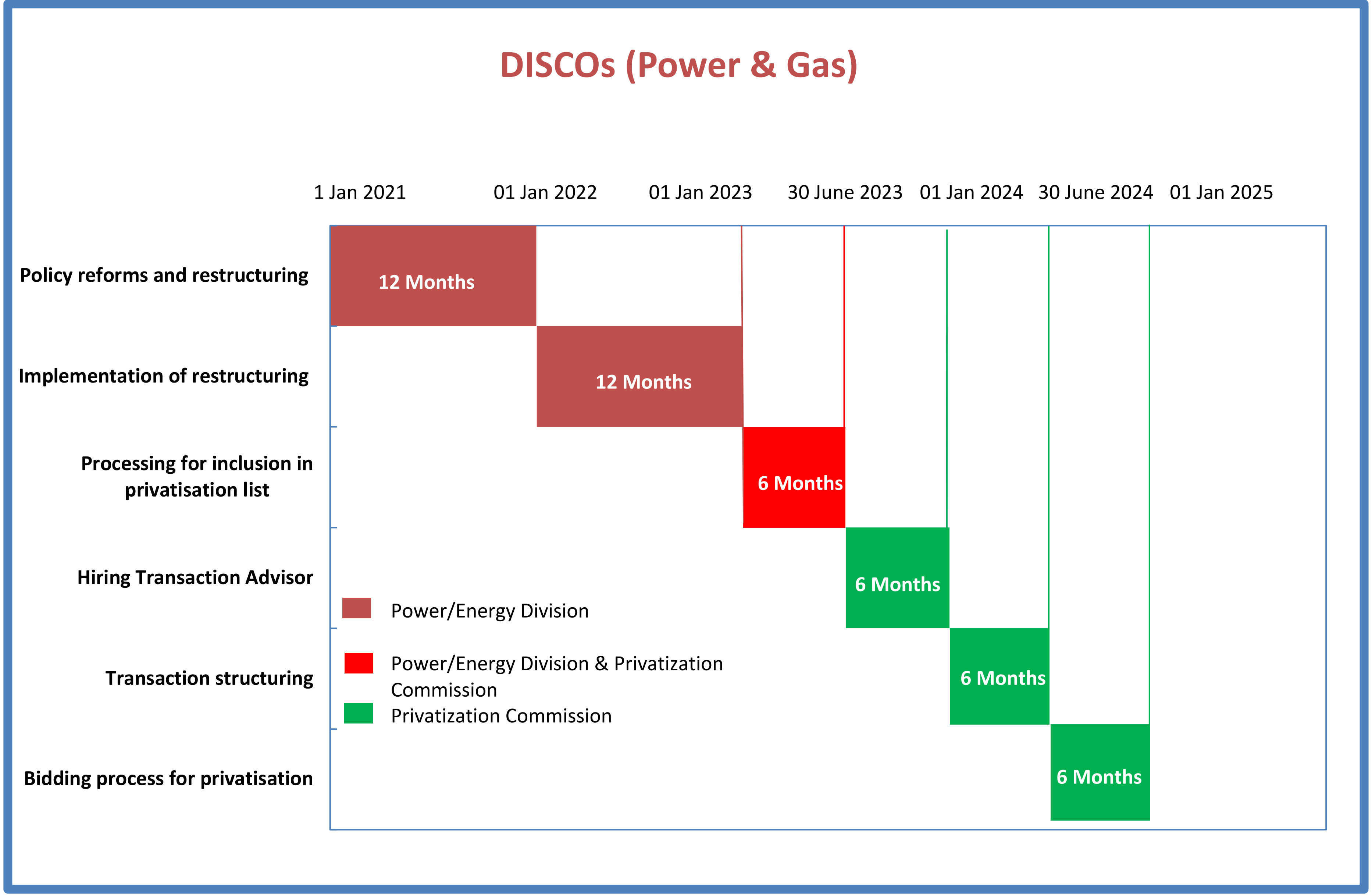
Note: Relates to Annex VI: Sub-Category (2b), "SOEs to be Privatized in Next Phase" above.
*Includes SOEs categorized for immediate privatization other than DISCOs and GENCOs.

Potential Privatization Candidates

	Actions	Responsibility	Duration
Action 01	Internal deliberations and obtaining necessary approvals regarding privatization or retention.	Line Ministries	6 Months
	01. Privatization Candidates		
Action 02	Processing for inclusion in the privatization list	Privatization Commission	6 Months
Action 03	Hiring of FA	Privatization Commission	6 Months
Action 04	Transaction Structure	Privatization Commission	6 Months
Action 05	Bidding Process for Privatization	Privatization Commission	6 Months
	02. SOEs, if Retained		
Action	Development of business plans and performance benchmarking	Line Ministries	12 Months

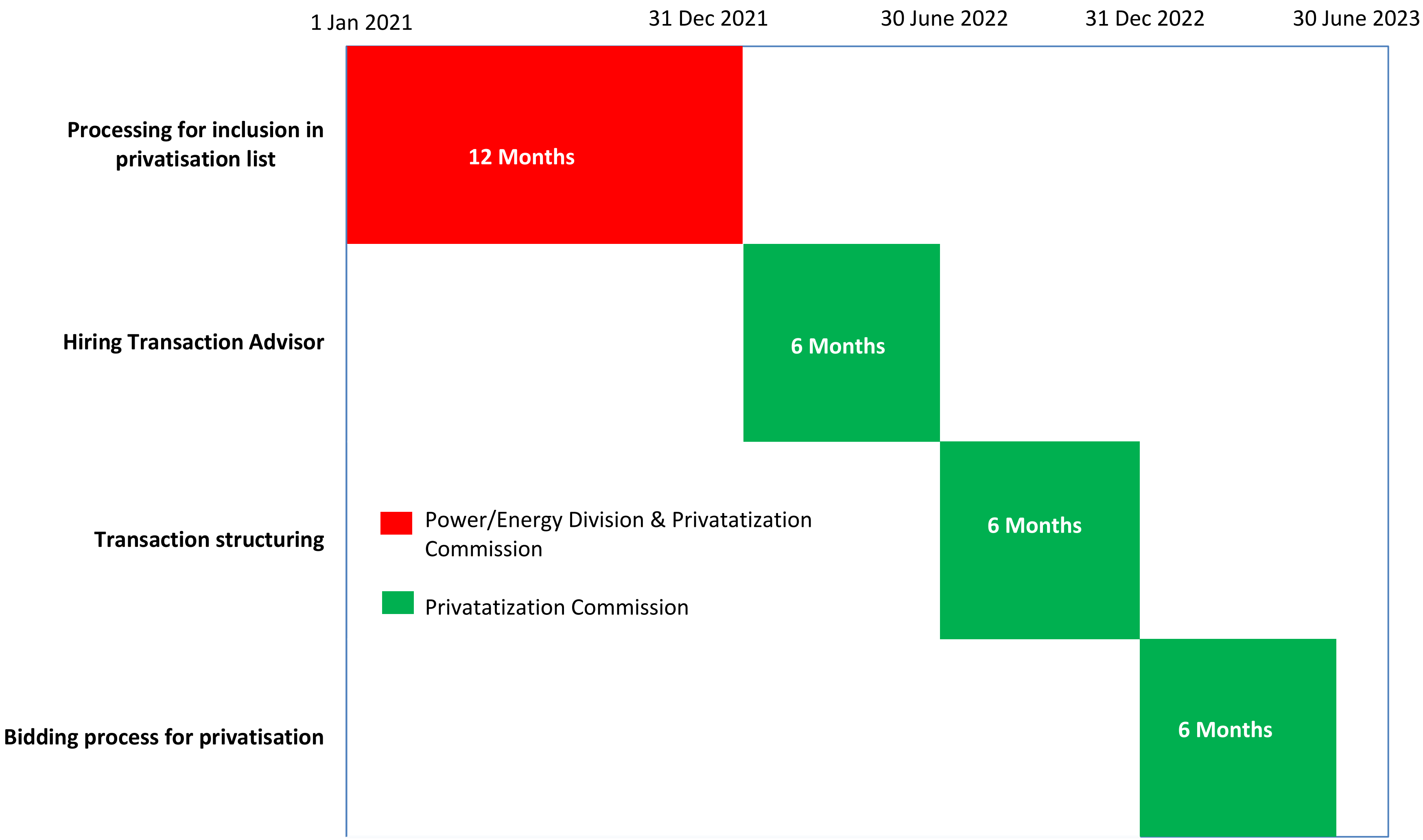
Note: Relates to Annex VII: Sub-Category (2c), "Potential Privatization Candidates" of SOE Triage Report.

Annex X: Indicative Timelines for Implementation of SOE Triage Outcome

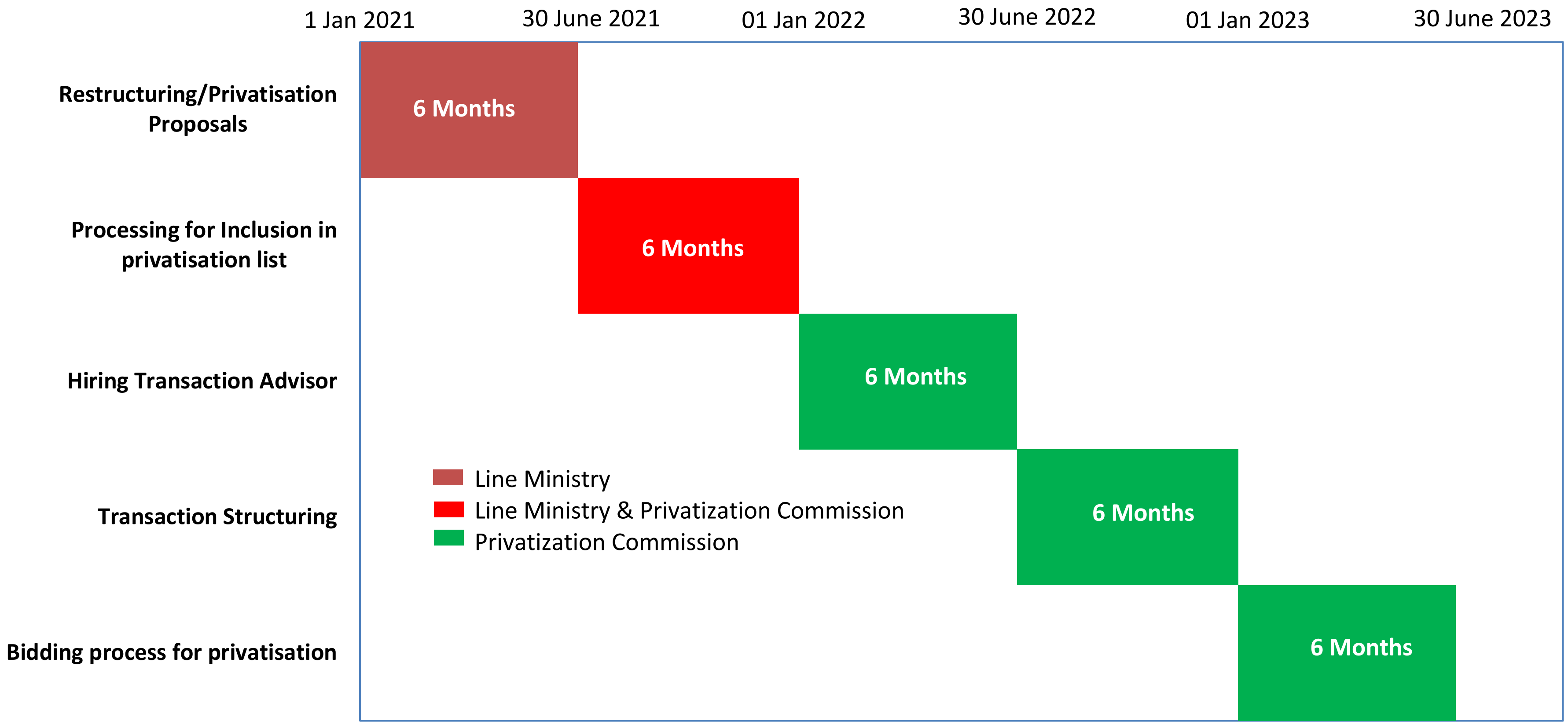


Note: These are indicative timelines; actual time taken to perform reform actions may vary.

GENCOs


1 Jan 2021
31 Dec 2021
30 June 2022
31 Dec 2022
30 June 2023
Processing for inclusion in privatisation list
12 Months
Hiring Transaction Advisor
6 Months
Transaction structuring
6 Months
Bidding process for privatisation
6 Months
Power/Energy Division & Privatatization Commission
Privatatization Commission

Other SOEs



1 Jan 2021
30 June 2021
01 Jan 2022
30 June 2022
01 Jan 2023
30 June 2023
Restructuring/Privatisation Proposals
Processing for Inclusion in privatisation list
Hiring Transaction Advisor
Transaction Structuring
Bidding process for privatisation
6 Months
6 Months
6 Months
6 Months
6 Months
Line Ministry
Line Ministry & Privatization Commission
Privatization Commission

Potential Privatization Candidates