

Pakistan's Privatisation Committee Aims to Expedite PIA's Partial Privatisation Process

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Pakistan's Privatisation Committee is taking steps to accelerate the partial privatisation process of PIA – Pakistan International Airlines. The committee has introduced new draft regulations that facilitate the sale of state-owned entities, allowing direct negotiations with foreign entities and the establishment of a floor price through a competitive process.

The proposed regulations, formally titled the Privatisation Commission (Government to Government Agreement Mode – Manner and Procedure) Rules, 2023, aim to streamline procedural requirements for the sale of entities like PIA. However, the draft rules await approval from the Cabinet Committee on Legislative Cases.

This marks the second significant initiative by the Privatisation Committee to expedite PIA's partial privatisation. Earlier this year, the committee proposed eliminating the involvement of the country's high courts in privatisation transactions.

The Pakistani government is pursuing the partial privatisation of PIA, a state-owned carrier grappling with persistent financial challenges. The proposal involves segregating PIA's substantial debt of over USD1.6 billion into a separate entity and establishing a public-private partnership with a foreign airline. The partnering airline would acquire a 40% stake in PIA, injecting significant capital and assuming day-to-day operational control. PIA has not only accumulated substantial debts but also incurred over PKR 600 billion (USD 2.14 billion) in losses.

To support the sale process, the government has engaged a consortium led by Ernst & Young for financial advisory services. Reports indicate that the consortium is set to receive approximately USD 7 million, with 30% of the amount contingent on the successful partial privatisation of PIA.

