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Inconsistent policy blamed for lack of investment

By Kalbe Ali

He said this as he explained that he would like to encourage better business relations between his country and Pakistan, but could not because of the flip flops in the state's policies.

His are not merely the words of an outsider.

In private conversations, senior government officials and those working for the private sector in the auto industry, energy, mining, manufacturing and oil and gas sectors have expressed the same views. Inconsistent policies are the greater evil.

Abbas Bilgrami, the managing director of the country's first Liquefied Petroleum Gas (LPG) terminal, said that due to the sudden change in government policies, he was even planning an exit from the scene.

"Policy makers invited us to enter the energy market of the country in 2001; the policy was conducive and we had international investors too," he said.

"But the LPG pricing formula was changed in Dec 2006 by OGRA and another change in the policy in Jan 2009 resulted in a loss of up to \$200 per ton LPG for the importers as it gave leverage to local produced LPG which is cheaper."

The state of the art LPG terminal at Port Qasim was established by his company at a cost of \$30 million in 2004; its current value is around \$120 million, but the facility remains under-utilised despite a severe LPG shortage in the country, because importing LPG is not feasible under the current pricing regime.

In a report the Overseas Investors Chambers of Commerce and Industry has highlighted seven factors related to declining investments in the country — five of them are directly or indirectly related with policies and regulations, These factors are 'Business Environment,' policy and regulation, federal budget, while the law and order and availability of utilities are at fifth and sixth places and the performance of the ministry and regulatory bodies is also part of the list.

Responding to the LPG terminal case, minister for investments, Salim Mandviwala, explained that "Most decisions in the past were taken through the SROs and these can be withdrawn easily."

He claimed that the present government

was bringing regulatory changes and would also present a Specialised Economic Zones Act to the Council of Common Interests.

And then the minister also added that his government did not change policies as had happened in the past.

Yet, under the incumbent government the refining sector has lodged a complaint to the petroleum ministry that the collective loss faced by most of the petroleum refineries in the country exceeds Rs2 billion — in the past few months.

"Gradually the government has been changing the petrol pricing formula since 2008 and we faced a loss of more than Rs2 billion after the one per cent incidentals on

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petrol have been withdrawn," said Aftab Husain, Deputy Managing Director, PRL.

"While the ECC decision to deregulate petrol, which was linked with withdrawal of one per cent incidental, has not been implemented."

According to official figures, the refining sector faced

a 134 percent drop in foreign investment in the six months of the current fiscal year over the same period in 2009.

This is why, analysts point out, no major international player has entered the local fuel and electricity scene despite the high demand for fuel and electricity. In fact, some go so far as to say that such figures will get worse in

the wake of the state's flip flops on investments like Reko Diq.

Bitter memories

Probe a little deeper and the unpleasant memories of the 90s are said to be keeping them away: "The treatment and persecution faced by the Independent Power Producers (IPPs) after the government change in mid-90s, was a serious blow that continues to scare off investors in the power sector," said an official of the ministry of water and power.

He added that despite the active interest of the US government in Pakistan's energy sector, the private sector players in the US were not willing to invest in electricity generation or distribution in Pakistan.

The same has been witnessed in the oil and gas exploration and production sec-

tors, where no new company has entered and the country is constantly suffering from a widening gap between demand and supply of natural gas reserves.

Most of these people agree that till there is more stability and continuity in policies, foreign investment will not pour in, regardless of how good or bad the security situation is.

And this is why despite a drop in terror attacks in the country in 2010 by 11 per cent against 2009, the foreign private direct investment has declined by 14.5 percent during July- Dec 2010 compared to the corresponding period in 2009.

If nothing else, these figures prove that the simple relationship that the policy-makers like to draw between the poor security situation and the lack of foreign investment has flaws somewhere.



Eminent religious scholar Dr. Salman Turabi reciting at Markazi Majlis at Imam Bargha, Shohada-e-Karbala, Karachi under the topic "Faith & Peace", held by Tanzeem-e-Najaf here on last day.

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