

Exclusive

Interview



Mohammad Zubair Governor Sindh

ICMAP: What do you think is the way forward in the current political and economic scenario of the country?

MZ: Every country has to face economic challenges and Pakistan is not an exception. In June 2013 when the government took charge, there were two main impediments to economic growth viz. alarming power sector situation and the security concerns. In the presence of these obstacles, you could not even think of economic revival. It was our vision to bring large doses of investments in power sector that could reverse this alarming situation. You can see that during last four years, huge investment in power sector has been made which is unprecedented in the history of the country. Under CPEC, US\$ 34 billion investment is for power sector alone. Around 10400 mw will be added by April next year in national grid. During last six months, if you see, many power projects have been launched. I give you one example of US\$ 4.5 billion Thar Power projects in which HUBCO has invested US\$ 2 billion whereas Engro has made an investment of US\$ 2.5 billion and these plants will be using indigenous coal. To address security concerns, we started operations in Karachi in 2013 and in June 2014 'Zarb-e-Azam' was launched at country-wide level which altogether changed the security paradigm of Pakistan. So we had to focus at two fronts i.e. ensure credibility and assurance of economic policies and at the same time improve the power sector and security situation. Our goal was to make the macro-economic indicators positive and today for the first time the GDP growth is over five percent; fiscal deficit is lowest in last ten years and inflation has remained in single digit, mostly below five percent. From Rs.1900 billion tax revenues we are going to end at Rs.4000 billion by end of this fiscal year so more than doubling which is a

record in the five year history of Pakistan. During 2006 to 2013, there was an average three percent growth on an annual basis.

ICMAP: What are the major challenges at economic front and how they could be tackled?

MZ: The two major challenges are 'trade deficit' and 'current account deficit' which are interlinked. These are very serious challenges as trade deficit has soared to more than 30 billion dollars. The obvious reason for trade deficit is increased

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imports, mostly of typical items like oil and largely of plants and machinery which cannot be stopped being fundamental to future economic growth. Anyone who argues about high imports must answer our counter question to identify any specific items which should not be imported?

The second reason for trade deficit is falling exports which is obviously an alarming situation but exports decline is an

international phenomenon and with exception of few countries, all nations are experiencing downward trend in exports. The exports decline of leading economies like China and India is more than that of Pakistan. The international commodity prices have gone down significantly and for example an item which was exported at an amount of 1 dollar is now reduced to 50 cents so you have to double the units to get one dollar. Having said that, there are very good examples, like Bangladesh, who have increased their exports. Recently, during this fiscal year, the exports have starting picking up and I assure you that some of the actions the Prime Minister has taken will start giving the positive results on the export side narrowing the gap in the trade deficit.

These are major challenges for Pakistan. But it is not true that the economy has been totally collapsed as general news is coming nowadays. We have gone close to six percent of GDP growth and massive investments under CPEC were never thought before. In power sector we have taken turn around. It was thought in Pakistan that security was an issue but I say that power sector was an issue. I talk about pipelines alone, if you had purchased power stations then how you would have transmitted the same to the national grid. Close to 6 billion dollars have been invested in creating layout for pipelines and that was to be completed simultaneously with power stations. The two biggest dams, Bhasha and Dhasu started during this tenure are hydel and would provide the electricity at cheapest rate when they will be



ICMAP: As a professional we feel there is some deficiency on the front of branding Pakistan at international level? What are your views about institutional branding?

MZ: I absolutely agree that branding is needed. In today's organization, marketing and HR aspects has assumed the importance of a science. In private sector there is a massive competition that is why they have to promote. Coke is a well-known brand in the world but there is not a single day that passes in 200 countries of the world that it is not promoting itself. From Pakistan's perspective, there is a problem of perception. For instance, the situation in Karachi was bad for whatever reason but the international investors only knows that the situation is bad; they are not concerned about its reasons. We say that we have made turnaround and statistics prove that situation in Karachi has improved but who will correct the perception verses reality in the minds of investors. It will definitely correct over a period of time but my theory is that lesser the gap between reality and perception, more chances are for better economic recovery. From the first month when I took charge as Governor, I went to Dubai to do a road show to promote the great opportunities that Karachi offers to global investors. I always give one message to foreigners and diplomats whom I meet to please tell your governments to review travel advisory mechanism for Pakistan and specially Karachi. The global investors and financial community need to be convinced that inspite of recent happenings in Pakistan like disqualification, JIT etc Pakistan is on right track with a Parliament in place and sound economic policies ensured by government. We have recently visited Boston, New York and Washington with a business delegation comprising top management of fifteen corporations i.e. HBL, UBL, Engro, PSO, OGDCL and Pakistan Stock exchange where we show cased Pakistan and also visited New York Stock exchange. The President of Overseas Investors Chambers of Commerce also accompanied to represent foreign companies and to highlight how businesses have evolved over the last few years and the positive outlook that they have about Pakistan's future economic growth.

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operational. LNG is also bringing a skyline change. When you go to the Port Qasim and see left and right sides you will witness the projects on which multibillion dollars of investments have been made.

The problem is that we never review the performance; we simply talk about irrelevant things so I think these are serious challenges. Having said that, the government and everyone of us has to do lot of hard work. The first thing is to promote Pakistan as a destination for investment and to promote Karachi as a city which has turnaround from a security standpoint. The more the efforts of the Government and the private sector to attract investment the better it would be.

Next month, we have decided to go to London, Bradford and Brussels to conduct road shows to portray Pakistan's true image. Earlier, we conducted road shows in Doha, Singapore, Hong Kong and all major countries to showcase Pakistan's political stability as branding and marketing is important to penetrate markets.

The continuation of political process is very crucial. Last democratic government completed its tenure of five years from 2008 to 2013 and our government is about to complete its tenure. We are all set for another electoral process in 2018 and inspite of everything that has happened in the last few years like dharna, panama, etc, this is the new Pakistan which has emerged. In the past, such serious crises led to wrap up of entire system. We cannot keep experimenting. The investors and businessmen want stability and continuation of process which is imperative to be ensured to them.

ICMAP: What is your action plan for the privatization of public sector organizations?

MZ: We made strenuous efforts and gained successes, especially in equity market transactions through road shows in which HBL was largest equity offering organization not just in Pakistan but in frontier market. For privatization due diligence process basically starts with the appointment of financial advisor, which is led by a consortium of investment bank, chartered accounting firms, communication strategists, HR companies and in all cases we appointed the best in the world. For selection purpose, Citibank, Merrill Lynch, Credit Suisse, Deutsche Bank and Big four CA firms, out of which one is to be qualified, were involved, in addition to top 40 law firms from the UK. A very comprehensive due diligence process of about 40 to 45 public sector companies was carried out, covering financial, technical, marketing, legal and HR aspects as per normal process followed everywhere. Now, when you have completed that process, there are three options i.e. restructuring, privatization and privatization after restructuring to attract investors of an entity. We carried due diligence process of 45 entities and for FESCO bids were also offered at last stage.

Politically, I have my own angle and I think that until the opposition and media do not understand the actual process behind restructuring and privatization, turnaround will not happen. For restructuring you need larges doses of capital and investment and also taking difficult decisions with respect to employees. For instance, PIA restructuring required purchase of aircrafts to compete with best airlines in the world.

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This requires revenues for which strict decision on employees has to be taken. During last thirty years, PIA has been in profit just for one year so privatization of PIA is not a concern for a single government; rather for all the governments. To ensure merit culture and achieve turnaround there is a need for a strong performance evaluation which may allow the management to reward the best and punish the worst. The former Prime Minister Nawaz Sharif once asked me that what I would do as Chairman Privatization Commission. I told him that in my view, there are two angles of privatization; one is professional and the other is political. The professional aspect is highly challenging and fascinating as you have to deal with top managements of





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public sector companies; global and local financial institutions; CA firms; stock exchanges; Chambers; equity companies; bond markets. So if I have all these resources and professionals I will deliver for its due diligence process, marketing, etc. I told Mr. Nawaz Sharif that the second aspect which is political is to be taken care by you i.e., when the key time comes you have to take the tough decision.

In my view, the way forward is privatization and if you don't take any initiatives for restructuring e.g., employees behavior, transfers, etc. and keeping in view the current situation of our courts or unavailability of doses of investments in plant and machinery, IT, etc., then it could not be achieved.

ICMAP: IMF and World Bank has recommended to form an independent Financial Reporting Council to regulate the accounting and auditing profession, however the Audit Oversight board formed recently is dominated by one profession and restricted to public interest companies. We are persistently pitching up with the government to form an independent financial reporting council. What role you can play?

MZ: In Pakistan, traditionally the chartered accountants have dominated the policy making as far financial matters are

concerned. However, I feel that this should not be the prerogative of anyone and we have to make effort in this regard. I am fully supportive of this and with you hundred percent.

ICMAP: What will be your message to members of ICMA Pakistan to play a more proactive role?

MZ: ICMA Pakistan is one of the most professional organizations and with the sort of background of your members; I think you can play a very significant and proactive role. All modern organizations are process oriented having significant check and balance; control and well-defined decision-making process which are required to be broad base. The first proactive step ICMAP should take is on transparency.

It should interact with the Government and propose to undertake studies on key economic decision making processes of ECC, ECNEC or specific Ministries that could lead to improving transparency and creating a positive mindset through communication and media about transparency in government entities. ICMAP can review the processes; identify weakness and provide pragmatic solutions for implementation. This would dispel the wrong picture and create the correct narrative about transparency in Pakistan. It needs to be understood that accounting systems, reconciliation and other processes are to be assessed. The CFO of IBM in New York which is operating in 200 countries, do not make daily phone calls to every country asking for receipts and payment, rather he just reviews few pages of processes for transparency.

Secondly, I think that ICMAP must initiate a process with major political parties, considering that elections are just around the corner, and ask them to disclose their strategy to improve transparency when they come into power. You can form a strong team and propose them and I can tell you no one will refuse you. So, you should make proposals on improving systems and processes and propose to the government and certainly I will put up your proposal to the competent authority. This would be a great service for Pakistan.

The interview ended with a vote of thanks to Mr. Mohammad Zubair, Governor Sindh, who spared his valuable time and gave his candid views exclusively for this Journal - Editor