



## **Pakistan Power Puzzle (PPP)**

~ by Joel Laykin – Secretary General, Independent Power Producers Forum (IPPF)

**(A personal opinion item not necessarily reflecting the views of the membership)**

### **First, The politics**

There is another PPP. It is the Pakistan Peoples Party. That is the party of the Bhutto/Zardari clan. Then there is the Pakistan Muslim League (PMLN) the party of the Sharif family. Last month we watched totally transfixed as these two dominant political forces headed for an apocalyptic showdown. The “Lawyers Long March” on the week of March 9<sup>th</sup> had evolved from a focused protest within the “legal” sector over President Zardari’s refusal to reinstate Mr. Iftikhar Mohammad Chaudary, the previous Chief Justice sacked by former president Musharref (some times referred to as “mushy” in the increasingly irreverent “Pakistan” media) into a very dangerous confrontation that threatened to derail the body politic of Pakistan.

### **The Media Culture**

The Punjab is Pakistan’s largest and wealthiest province. Lahore, it’s capital, redolent with history and culture is home to Pakistan’s sputtering film industry (“Lollywood”). It is the power base of the Sharif Brothers (local media wags have dubbed them the “Brothers Grimm”). It is also the home of “The Friday Times” (TFT), probably one of the most interesting political weeklies on the planet. Steven Coll, long time Washington Post correspondent for South Asia wrote recently that he was “astonished at its daring, sophistication, wit, ambition, independence and intelligence”. He added that “it defined the very edge of what was permissible to say or ask in Pakistan”.

### **Confrontation**

Yes, Pakistan enjoys a free press. When the President recently attempted to muzzle the country's major TV newscaster (GEO-TV) he suffered the resignation of Ms. Rehman, his popular Minister for Information. That, along with the impending invasion by hordes of marching lawyers about to pour into the streets of Islamabad plus an obvious "behind the scenes" nudge by Army Chief of staff General Ashfaq Kayani, President Zardari capitulated right at the cusp of the abyss on March 14<sup>th</sup>. Mr. Chaudary has now been reinstated as Chief Justice, Muhammad Mian Shehbaz Sharif (Nawaz Sharif's brother) has also been reinstated as Chief Minister of the Punjab, a post that he had been elected to last year but was outrageously forced from office by political skullduggery.

"Rule of Law" is back on track. Chief Justice Chaudary and his reinstated court have made it clear that rather than add to any further internecine political turmoil, they are instead turning their attention towards corruption and not a moment too soon.

### **Back From The Brink**

The seventh cavalry is about to arrive in the form of the Obama administration's wall of money and resources which are intended to stabilize the Pakistan / Afghanistan region, destroy the Taliban and make the world a safer place. The U.S. could not have moved forward on its new aggressive agenda without the miracle of the peaceful resolution of Pakistan's constitutional crises on March 14<sup>th</sup>. "Al Qaeda and its extremist allies are killing Pakistan from within" said Barrack Obama on March 27<sup>th</sup>. Obama has made the stabilizing of Afghanistan and by natural and immediate progression, reversing Pakistan's worrying drift into chaos. The results of this effort should be peaceful resolutions of South Asia's stressful conflicts, a greatly improved investment environment in Pakistan and who knows -----maybe even international cricket competition could possibly return to Lahore.

### **The Crystal Ball Gets Optimistic**

So, it is now onwards and upward for development in Pakistan. With 40% plus of the country's 19,885MW of installed capacity in private hands, the IPP sector has actually experienced substantial growth throughout the past decade despite horrendous political upheavals.

After the ceremonial signing of the MOU between the Government of the Punjab and the IPPF in Lahore on January 6<sup>th</sup> of this year, we wrote that "Pakistan may very well be the best kept secret in Asian power development".

### **Filtered Through Rose Coloured Glasses.**

And.....here's why. The central government in Islamabad established the Private Power and Infrastructure Board (PPIB) in 1994, a one-stop-shop entity that helps "fast-track" investor driven power development. In the 15 years that PPIB was facilitating both local and international developers, the IPP portion of installed capacity has grown from 6% to over 40%. The country's four provinces have created their own version of the PPIB. The Punjab, for example, also provides a one-window facility – "Punjab Power Development Board" (PPDB).

Pakistan's regulatory regime and PPA disciplines were further strengthened by the "2002 Power Policy for Power Generation" act which accelerated both overseas and local power investment activity. It should be noted that unlike certain other Asian Nations, Pakistan's Power Regulator (NEPRA) and the Ministry of Water and Power treat all local and overseas / international investors the same, no favouritism.

With the recent strengthening of the judiciary, further implementation of rule of law coupled with massive financial support from IMF, ADB, World Bank and now, the U.S. government, Pakistan's economy should stabilize. The Pakistan Electric Power Company (PEPCO), an SOE established in 1998, has led the way for reforms in the industry. PEPCO is about to close on an "eighty billion Rupee" (one billion U.S.\$) loan package which means that past-due accounts owed to certain IPP partners should soon to be cleared up.

### **Local Initiatives**

There is also the presence of over two dozen individual Pakistan IPP's who are pleased to welcome overseas investors not as competitors but as colleagues and possible partners. This was our personal impression after on-the-ground meetings with most of the local IPP's this January.

The IPPF has assisted the Pakistan Consul-General's office and official high level delegations to Hong Kong and China since 2004. In 2008, we began to work ever more closely with Pakistan's senior diplomatic corps. Dr. Ahmad Balal, their Consulate General in Hong Kong, is one of the most pro-active diplomats in the territory.

### **Over-Taken By Events**

In the early Fall of 2008, we had meetings with visiting senior officials from Islamabad (Minister of Commerce, Minister of Defense, etc.) in Hong Kong

A high level investment delegation from Islamabad to Hong Kong was planned for late Fall, organized in cooperation with the ADB and supported by the IPPF. It was supposed to be led by the Prime Minister. Unfortunately the Mumbai incident in November completely derailed this major seminar. While the central government was pre-occupied with renewed stress between India and Pakistan along with the growing encroachment by elements of the Taliban and allied terrorist groups along the Afghan border, the government of the Punjab stepped up to the plate to initiate an expanded power investment campaign through the IPPF.

### **The Punjab**

We met the (now re-instated) Chief Minister of the Punjab, Muhammad Shehbaz Sharif on November 22<sup>nd</sup>, 2008 at the Kowloon Shangri-la in Hong Kong along with a delegation of IPPF members and power related colleagues which included Mr. Nadeem Babar, an extremely articulate and personable industry leader who we recently had booked to speak at PennWell's Power-Gen MiddleEast in Bahrain (Feb 17<sup>th</sup> – 19<sup>th</sup>). We visited his very clean and efficient 126 MW heavy oil driven (Orient Power Ltd) plant in Lahore which is an excellent example of Pakistan's indigenous IPP operators. Lahore has an

extended population of approximately nine million people. They struggle against outages and blackouts with only 450 MW of installed capacity in the city, the same as Macau which has 5% of Lahore's population. Capacity needs to triple to meet the needs of Lahore's expanding market-place.

### **The Road To Islamabad**

We had led an IPPF organized delegation of 14 power executives for a week long visit to Lahore from Jan 3<sup>rd</sup> to Jan 8<sup>th</sup>. However, just two days after the signing of the IPPF / Punjab MOU, we were suddenly summoned to the capital. On the morning of January 7<sup>th</sup>, I'm awakened in our room at the Pearl Continental Hotel by a call from one of our senior delegates, Mr. Lal Dino Mari Baloch, a Hong Kong based Pakistani energy / infrastructure entrepreneur with factories in china and homes in Karachi and Balochistan "Get up and pack your bags "he says, "we are going to Islamabad tonight". After an intense week of non-stop travel, government functions and meetings, we were looking forward to a look-see around legendary Lahore. A visit to Rudyard Kipling's restored newspaper office was not to be. We arrived that evening at Islamabad's "Serena" Hotel for a dinner hosted by Secretary Ashraf Hayat of the Ministry of Investment (MOI) along with a dozen "Directors" and other persons of rank. The next morning on Jan 9<sup>th</sup>, things got really serious with a three hour meeting headed up by Minister of State (MOI), the Hon. Saleem H. Mandiviwalla in a large conference room packed with Secretaries, Executive Directors and other senior government officials running everything from NEPRA, PPIB and MOI to Directors of alternatives, mining , fuels and infrastructure.

It was positively "electric" with the cross-table conversation becoming quite exciting. The result was the putting back on track of the original high level investment delegation to Hong Kong. This will be an important workshop / seminar to which decision makers from all over East Asia will fly in to attend. Minister Mandiviwalla and his key advisors initially opted for the Hong Kong "Pakistan-Power" event to be held in March or April. However, our suggestion to schedule the Pakistan VIP visit in late May after the ADB Annual meeting in Bali (May 2<sup>nd</sup> – 6<sup>th</sup>) finally prevailed.

There are a number of IPPF firms with active investments in Pakistan which was one of the reasons we became more involved last year. After several recent official visits in 2008 and 2009 to Karachi, Islamabad and Lahore by the IPPF leadership, we are definitely positive about Pakistan. We believe that March 14<sup>th</sup> will be remembered as the date that Pakistan chose sanity and the striving for a civil society over chaos and destructive confrontation. Besides the upcoming government delegation to Hong Kong, we are also planning another official visit to Lahore followed by a major conference there this Fall. Anyone care to join us?

**IPPF Profile**

**The IPPF is a non-profit industry support organization mandated by its members to work toward best practices in the Power Generation industry. Our geographic focus includes all developing nations across the Asia / Pacific region.**

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