

Business Environment

The March 1994 incentives policy for establishing thermal power plants did an excellent job of encouraging private-sector involvement in the thermal power generation sector. The May 1995 hydro policy was not as attractive due to decreased incentives and the involvement of provincial governments. A modified comprehensive power policy, when finalized and announced, will focus on the use of indigenous fuel and development of hydel resources for power generation.

The GOP's intention to privatize the public-sector power distribution and thermal power generation assets for the Karachi Electricity Supply Corporation (KESC) and the Water and Power Development Authority (WAPDA) is viewed as a positive development. In 1996, the Privatization Commission sold the 1600 MW Kot Addu thermal power plant to National Grid (U.K.) and is in the process of developing modalities to privatize the assets of WAPDA's Jamshoro power plant (800 MW) as well as other state-owned thermal power generation plants.

The privatization of state-owned power assets (thermal power plants and distribution network) will allow a more competitive environment. The National Electric Power Regulatory Authority (NEPRA), as the prime regulatory body, will assist in generating fair competition between public- and private-sector enterprises and encourage investment in the power sector.

Government statements regarding the possibility of reopening previously negotiated power tariff agreements for Independent Power Plants (IPPs) created concern amongst IPPs and other potential private sector investors. However, the Government has publicly stated that all agreements which were negotiated in a transparent manner will be honoured. The GOP is currently negotiating with the IPPs to determine the parameters for implementation of the IPPs.

While it is not mandatory to have a local partner for implementation of a project or the sale of equipment, it is strongly recommended that foreign investors should develop their bids in collaboration with strong local partners.

Telecommunications

Opportunities

With a population of 130 million people and telephone density of 2 percent, the Government of Pakistan (GOP) is aiming at increasing the telephone network capacity to 4.5 million lines thereby increasing telephone density to three percent under its eighth Five Year Plan (1993-1998).

This sector in Pakistan offers tremendous opportunities for Canadian firms to participate in the expansion of rural telecommunications, establishment of value-added services, participation in Pakistan's satellite project and the ever-expanding computer hardware and software markets. These opportunities should be approached through technology transfer, joint venture, contract manufacturing, assembly of equipment and professional service contracts with government and other clients.

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The business environment is relatively open particularly when dealing with the private sector. Projects that involve state agencies are, to some degree, fraught with irregularities and preferences.