

Topic State-owned enterprises are the only way forward for Pakistan's economic progress

Outline:

1 Introduction

Thesis statement: State-owned enterprises (SOEs) are considered significant for Pakistan's economic progress.

However, there are several other viable options that can also drive economic development.

2 State-owned enterprises (SOEs) in Pakistan and their role in economy

3 Besides state-owned enterprises, other viable options for Pakistan's economic progress ^{exist} (Thesis) statement

a) Imposition of taxes on different sectors generates revenue, which allows the government to fund essential public services

b) Utilization of Pakistan's blue economy in electricity generation, which reduces import of fossil fuels.

c) Privatization of loss making entities

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decreases government burden
helps in efficiency and
will improve public services.

d) Harnessing the circular bioeconomy
to reduce cotton imports and
increases the production and export
of textiles

e) Modernizing agriculture practices
and improving irrigation systems
can increase crop yields and export
of food, vegetables, and other products

f) Fostering foreign direct investment (FDI)
by facilitating them with special
facilities help integrating Pakistan
into global markets and stimulate growth

g) Supporting small and medium-sized
enterprises (SMEs) and startups through access
to financing stimulates job creation
and economic diversification.

4 State-owned enterprises (SOEs) are only
way forward for Pakistan's economic
growth (Antithesis)

a) SOEs create a large number of
jobs, providing stability in the labor market
and are major source of employment in

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b) SOEs are often responsible for developing and maintaining critical infrastructure, which supports economic growth and development

c) These enterprises contribute significantly to the national treasury, which can be reinvested into the economy

d) ~~State~~ SOEs can help reduce regional disparities by ensuring that essential services are available in underdeveloped areas, which lead to more balanced economic growth

e) SOEs allow the government to retain control over important sectors, which are vital for economic stability

5. However, SOEs are the burden on Pakistan's economy (synthesis)

a) SMEs also stimulates job creation and helps in economic development

b) Foreign direct investment can build infrastructure and support in economic growth.

c) SOEs creates problem of revenue deficit and there have been several other means like taxes, reserves etc. ^{also contribute} ~~from which~~ to national treasury ~~government can generate~~

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- d) Regional disparities can ^{be} reduced through other ways like as specific area has special resources and ~~ex~~ utilizing this disparity can be reduced.
- e) Privatization of SOEs makes them more innovative and ~~eff~~ective, and provides better services.

6 Conclusion

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Essay

Nations do not build economies by selling their assets — they do it by strengthening them. From China's state-led growth to Turkey's strategic enterprises, history shows that when the state takes the lead, prosperity follows. In this context, state-owned enterprises (SOEs) are considered significant for Pakistan's economic progress. However, there are several other viable options that can also drive economic development such as imposition of taxes on different sector generates revenue and utilization of Pakistan's blue economy to generate renewable energy. Additionally, harnessing the circular bioeconomy ~~also~~ increases the production and export of textiles. Fostering FDI by providing them with special facilities and modernizing agriculture practices are also viable options for Pakistan's economic progress. Moreover, privatization of loss making entities decreases the government burden and improves

public services and supporting small and medium ^{sized enterprises} (SMEs) stimulates job creation. Nevertheless, others believe that state-owned enterprises (SOEs) are only way forward for Pakistan's economic growth like as, ~~if~~ ^{these} create large number of jobs and reduce regional disparities by ensuring essential services in under-developed areas. Additionally, SOEs allow the government to retain control over important sectors, which are vital for economic stability. These enterprises ^{also} contribute significantly to the national treasury and are often responsible for developing and ~~are~~ maintaining critical infrastructure. However, this perspective may ~~overlook~~ overlook the limitations and challenges that SOEs have historically faced in Pakistan.

State-owned enterprises (SOEs) are integral part of Pakistan's economy, ~~are~~ encompassing sectors such as energy, transportation and communication. As per world bank report 2024, federal government of

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Pakistan oversees 206 SOEs, including 88 commercial entities. These enterprises significantly impact the national economy, with their total assets constituting approximately 44% of the country's GDP in 2019 (IMF). In fiscal year 2024, SOEs collectively reported profits of Rs 820 billion, making a 14% year-over-year increase. However, the same period saw aggregate losses of Rs 851 billion among loss-making SOEs (Finance Division of Pakistan, 2024 report).

Notably, the National Highway Authority (NHA) incurred the highest loss, followed by Quetta Electric Supply Company and Pakistan International Airlines (PIA). Since 2014, the cumulative losses of Pakistan's top 25 loss-making SOEs have reached approximately Rs 5.9 trillion. Thus, this contrast highlights the need for reform within SOEs.

Besides SOEs, there are several other viable options for Pakistan's economic progress. One of the key propositions that validates the argument is imposition

of taxes on different sectors. This generates the revenue, which allows the government to fund essential public services. Taxes collected from industries, businesses, and individuals contribute significantly to the national budget, which is then allocated to critical sectors such as education, healthcare, infrastructure and security. This revenue ensures the government to meet the growing needs of its population and maintain economic stability. This also helps in smooth running of institutions and supporting the development of welfare programs to reduce poverty and inequality. According to the book *Governing the Ungovernable* by Ishaq Husain, imposition of taxes and its collection is essential for Pakistan's economic progress. ~~Here~~ This substantiates that imposition of taxes is crucial for Pakistan's economic development.

Not only imposition of taxes but also utilization of Pakistan's

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blue economy for electricity generation are viable options for Pakistan's economic stability. The reason is that it reduces import of fossil fuels, which affects the reserves of international currency.

The blue economy of Pakistan is still untapped due to which it faces many challenges. The utilization of tidal waves for electricity generation reduces imports and produces ^{900 MW} cheaper energy for the country. In addition to

this, the coastal area of this economy can be used in ^{the} production of wind energy due to its location. This also produce electricity which further decrease the import of fossil

fuels. In 2022, Pakistan's total energy import bill was approximately USD 23.3 billion, with power sectors' fuel imports constituting a significant portion of this expenditure

(Pakistan's energy choices, IEEFA, April, 2023)

This shows that exploitation of tidal energy is a significant option for Pakistan's economic development.

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Another pertinent point of significance that authenticates the premise is privatization of loss making entities. This decreases the government burden and will improve public services. As per World Bank, the federal government oversees 206 SOEs, including 88 commercial entities. In fiscal year 2024, SOEs aggregate losses of Rs 851 billion, in which NHA losses Rs 295.5 billion, QESCO with Rs 120.4 billion and PIA with Rs 71.5 billion. By privatizing these loss making entities, the ^{government} could reduce their burden. Additionally, it will improve public services ~~by~~ through the competition between the SOEs. Private sector added 80% in government revenue, generated 90% of the jobs (Business report, WB, 2024). Hence, this shows that privatization ~~of~~ is also a way forward for Pakistan's economic progress.

Moreover, ^{the thesis} ~~compelling~~ remains unassailable in light of the discourse

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that harnessing the circular bioeconomy is also an imperative for Pakistan's economic stability. This reduces the reliance and import of cotton and increases the production and export of textiles. The circular bioeconomy is remaining unexploited in Pakistan. Banana fibre extract from banana's stem is a strong fibre, providing alternatives for cotton. It reduces reliance on cotton and its import. It can be utilized in textile like as baby diapers, pad, ropes, paper products, net and so on. The production of banana has ^{32%} increased in 2022-23. Pakistan

is only exploiting less than one percent and the remain is untapped.

India is expanding textile production from banana fibre (Indian Agricultural

research institute). Thus, this shows that circular bioeconomy is a way-forward for the economy of Pakistan.

Along with harnessing the circular bioeconomy, modernizing agriculture

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practices and improving irrigation systems are also imperative for Pakistan's economic growth. The reason is that it increases crop yields, and ^{export} other products of food, vegetables and so on. Pakistan ranks among the top ten agricultural producers globally. The contribution of agriculture in GDP is almost 23.37% as of 2023. By modernizing agriculture practices, varieties in seeds are improved, which significantly boost productivity per acre. In addition to this, ~~thus~~ the production cost will reduce that is more profitable for small and medium farmers. This also leads to food security and growth in export when country's production is surplus. It also improves irrigation methods like drip and sprinkler system, which ~~are~~ crucial in water-scarce country like Pakistan. A report highlights that adopting modern farming techniques enhance productivity and economic growth (PIDE, Modernizing Pakistan's Agriculture Economy, 2024).

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This illustrates that modernizing agriculture practice can be the opportunity for Pakistan's economic development.

Although modernizing agricultural practices is a way forward, fostering FDI also contributes to economic progress. This helps integrating Pakistan into global market and stimulate growth. FDI is equally crucial for a country's economic progress. By providing special facilities ~~to Pakistan~~ like as low taxes, decrease electricity prices, and provide safe environment, Pakistan can attract high FDI. This brings not only capital but also advanced technology, management expertise, and access to global markets. In addition to this, FDI in sectors like manufacturing, infrastructure, and technology can create job, boost industrial output and improve overall productivity.

Pakistan Business Council's report (2024), Efficiency-seeking FDI in Pakistan, highlights that attracting large high

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FDI can enhance infrastructure development, job creation, and overall economic growth. This demonstrates that fostering FDI can boost sustainable economic growth.

Last but not the least, supporting small and medium-sized enterprises (SMEs) escalates economic development of Pakistan. This startups of SMEs through access to financing stimulates job creation and economic diversification. SMEs constitute over 90% of all businesses in the country and contributes approximately 40% to the GDP. Yet many SMEs struggle due to limited access to credit and investment. By strengthening financial inclusion through microfinance, SME-focused banking products, and government-bank loan schemes, Pakistan can empower these enterprises to expand operations, innovate, and employ more people. Startups, in tech and service sectors in urban centers can drive digital transformation, export services

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and compete globally. It also reduces overreliance on agriculture and textiles, allowing the diversification of economy.

In Pakistan, initiatives like the state bank of Pakistan's refinance schemes and the Kamyab Jawan program are aimed to provide financial support to SMEs and startups. This highlights that SMEs and startups also a way forward for Pakistan's economic progress.

However, some believe that SOEs are the only way forward for Pakistan's economic growth due to it creates a large number of jobs. SOEs play a significant role in Pakistan's economy by generating large-scale employment and offering stability in labor market. There are over 250 SOEs operating across different sectors such as energy, transportation, and communication. These collectively employ hundreds of thousands of workers, making one of the largest source of formal

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employment in Pakistan. These provide opportunities to urban as well as rural areas where private investment is limited. This employment opportunities stability also supports consumption and household income, which in turn sustains demand in economy. For instance, the report "Federal Footprint" of 2020-22 by Finance division of Pakistan shows that approximately 7,000 individuals are employed in Pakistan Railways. Thus, SOEs are the only way forward for Pakistan's economic development.

Besides SOEs creates large number of jobs, it these are often responsible for developing and maintaining critical infrastructure. This supports economic growth and development. Key sectors like communication, transportation, energy and water management are heavily reliant on the performance of SOEs. Organizations like Pakistan Railway, NHA, and WAPDA are tasked with ^{construction and operating} essential infrastructure such as dams,

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roads, highways, railways networks and power plants. These project not only facilitate trade, mobility, and access to services but also stimulate economic development across various regions, particularly in underdeveloped areas in Pakistan. For example, WAPDA is responsible for energy supply, which leads to industrial growth by supplying and ensuring power supply. Additionally, development ~~of and~~ of roads and ports by SOEs enhance regional connectivity and boosts regional integration. This substantiates that, SOEs play an indispensable role in laying the ground work of critical infrastructure leads economic growth.

Coupled with developing and maintaining critical infrastructure, SOEs contributes significantly to the national treasury. This financial contribution helps government to fund essential services like education, Healthcare, and infrastructure

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development. For instance, OGDC and state bank of Pakistan historically paid billions in taxes annually, which not only helps in budget deficit but also support economic growth. Reinvesting these funds into developments projects, social safety nets, and innovation initiatives leads to multiplier effects, generating employment, boosting productivity, and enhance public welfare. SOEs in sectors like oil and gas, banking, and telecommunication consistently generate substantial revenues for public excheques (Ministry of Finance Pakistan). Thus, SOEs contributes to national treasury.

Not only SOEs contributes to the national treasury but also reduce regional disparities. This ensures that essential services are available in underdeveloped areas, which leads to more balanced economic growth. SOEs plays a vital role in reducing

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regional disparities such as transportation, energy, Healthcare, ^{and} education, are extended to underdeveloped and remote areas.

SOEs operate with broader national development goals, including inclusivity and equality. By providing infrastructure, connectivity, and basic utilities in these areas, SOEs help marginalized communities into the economic mainstream. This leads to local population with opportunities for business, employment, and education which result in improved living standards and long-term socio-economic development. SOEs are instrumental in providing universal access to essential services and contributing to regional development and equity (Asian Development Bank). Thus, this shows that SOEs reduce regional disparities.

Lastly, SOEs allow the government to retain control over important sectors, which are vital for economic stability. This ensures that essential

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services remain operational and accessible during economic shock or global price volatility. In Pakistan, sectors like energy, communication, finance, and transportation considered too important. Through SOEs such as WAPDA, PSO, and the national bank of Pakistan, the government is able to maintain oversight and direct intervention during time of crisis. This ensures that these important SOEs remain operational, and function, and accessible during in time of crisis. SOEs also focuses on development goal such as poverty reduction, equitable services and regional balance rather than solely on profit. S. Akbar Zaidi in his book Issues in Pakistan's Economy discussed that SOEs have been instrumental in maintaining governmental control over critical industries, thereby contribute to country's economic resilience. This illustrates that SOEs allow the use the only way forward for Pakistan's economic development.

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Notwithstanding the claims made earlier, there is a different viewpoint that maintains SOEs create a large number of jobs. Nevertheless, the argument presented by the opponents is not entirely valid, as SMEs also stimulate job creation. It helps in economic development of Pakistan.

SMEs are often more dynamic, flexible, and capable of absorbing labor in both urban and rural areas.

SMEs foster entrepreneurship and innovation, leading to diversified economic activities and reduce overreliance on state-run sectors.

According to the ^{SMEs} Small and Medium development authority (SMEDA), SMEs in Pakistan account for 80% of non-agricultural employment, demonstrating significant contribution to job generation. Hence, this shows that SMEs also generate jobs.

Similarly, SOEs are often responsible for developing and maintaining

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critical infrastructure. However, the opposing view is not entirely justified, as FDI can also contribute to infrastructure development and support economic growth. FDI can also play a transformative role in infrastructure enhancement. Countries around the world have successfully utilized FDI to build modern transportation systems, energy grids, and industrial parks. Moreover, FDI brings not only just capital but also technology expertise, and international best practices, which can enhance quality and efficiency of infrastructure development. In Pakistan, FDI has led a large-scale of development through China-Pakistan Economic Corridor (CPEC), such as the development of port, power plants, railway track and highways, which boosted trade connectivity and energy supply. This substantiates that FDI can build infrastructure.

Another perspective given by opponent is SOEs contribute significantly

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to the national treasury. However, the critics are not vindicated as SOEs, create revenue deficits, and these are several other means such as taxes, and natural resources that also contribute to the national treasury. Many SOEs in Pakistan operate inefficiently, putting additional burden on the fiscal etc budget. Moreover, there are several other viable means through which the state can generate income. A fitting illustration can be seen as, an efficient and broader tax-based system can provide steady revenue without any burden or risks. In addition to this, Pakistan is rich in natural resources, If these resources efficiently managed can significantly contribute to national budget. This can be reinvest in different social sector. Thus, revenue can be generated through different means.

Arguably, the fourth proposition of the dissenters is that SOEs reduce

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regional disparities. Nonetheless, this assertion is not entirely convincing, as such disparities can also be addressed through other means. ~~For~~ For instance, by utilizing region-specific resources to promote local development. ^{Each} Every city has specific resources as Faisalabad is rich in textile industries, government should utilize taxes of this city on development of Faisalabad. Moreover, the rural areas of Sindh — Mirpurkhas is famous for mango production. The government utilizes the tax budget of mango on development of Mirpurkhas. Additionally, tailored development policies, investment in local infrastructure, and support for community-based enterprises can significantly uplift the marginalized community of the region. This ^{proves} ~~proves~~ that regional disparity can be reduced through different means.

The last standpoint given by opponents is that SOEs allow the government to retain control over important sectors

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However, this claim is not corroborated, as the privatization of SOEs often makes them more innovative and effective. When enterprises are privatized, they are driven by performance incentives and market discipline. This significantly improves service delivery and reduce financial losses. In Pakistan, SOEs are burden on the economy, which creates problem of circular debt and undermines economic progress. Therefore, while the government control may provide oversight, privatization can offer a more dynamic and performance-oriented approach. This makes sectors more responsive to changing market needs and enhancing overall economic efficiency. Countries that have undertaken privatization as like UK and India. They have seen improved productivity and reduced fiscal burdens. Thus, this substantiates that privatization of SOE makes them more innovative, effective and competitiveness.

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In a nutshell, SOEs ^{are} considered significant for Pakistan's economic progress. ^{if managed effectively} But in actual, they are burden on Pakistan's economy due to loss making. Other approaches are more viable for Pakistan's economic progress such as imposition of taxes, utilization of blue economy and privatization of loss making entities. Furthermore, modernizing agricultural techniques, exploitation of circular bioeconomy, fostering FDI, and supporting SMEs can be the viable proposition for economic progress. Critics of alternative argue in favour of SOE for their reach and control, but these claims are not entirely convincing. ^{As FDI} ~~when ex~~ brings more effective and better infrastructure than the SOEs. Additionally, SMEs can produce more job, innovation, and economic diversification rather than SOEs. Therefore, while SOEs have their place, Pakistan's economic stability and growth lie in a balance and diversified strategy.

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SOEs can be the way forward for Pakistan's economy if managed effectively with accountability.