

Q Privatization is inevitable as state owned enterprises have been a huge burden for the budgetary economy of Pakistan. Analyze the statement and give recommendations.

1) INTRODUCTION

privatization is a short term relief not a long term solution of the persistent problems in Pakistan.

- Khurram Bhatti,
Belling the cat

This quote of Khurram Bhatti tells how privatization is not a long term solution.

Similarly privatization has become inevitable in Pakistan owing to the narrow tax bases, lowered fiscal capacity and debt servicing.

Due to this the state owned enterprises have become a huge burden to the budgetary economy of Pakistan owing to chronic financial losses, draining of public resources, political interference etc. However, recommendations

such as open bidding, public-private partnership, categorization of enterprises etc. are all bound to create an effective way forward.

2) A BRIEF OVERVIEW OF THE ORIGIN OF PRIVITIZATION UNDER THE NEW PUBLIC MANAGEMENT

The new public management approach

The state to act as a business model

The state should not do everything on its own

Hence, if there is loss in an institution it should be privatized

To prevent economic strain and keep the country running smoothly

3) ANALYZING THE STATEMENT THAT PRIVATIZATION IS INEVITABLE AS STATE OWNED ENTERPRISES HAVE BECOME A BURDEN TO PAK'S BUDGETARY ECONOMY

3.1) WHY STATE OWNED ENTERPRISES HAVE BECOME A HUGE BURDEN FOR PAKISTAN'S BUDGETARY ECONOMY

1) Chronic financial losses that show no signs of improvement

State hold enterprises are rooted in financial losses. PIA financial loss was about 800 billion rupees which put huge burden on the economy of Pakistan.

2) Constant draining of public resources to keep alive the state owned enterprises

The losses of the SOEs were then managed by the public resources. This utilization

hampers the developmental growth such as health, education etc all of which add exceeding pressure on budgetary economy.

3) Political interference acting as a barrier in the path of growth of enterprises

Political interference prevents the devising of sound strategies that could help to uplift the enterprises. Political shadows on the state owned enterprises, prevent growth, leading to privatization (Hamid Mir, political overreach)

4) Over employment causing losses leading to economic constrain on economy

The stock piling of losses combined with over employment and high pensions further add to the losses, which are then compensated by the budget.

3.2) WHY PRIVATIZATION HAS BECOME INEVITABLE IN PAKISTAN

- 1) Narrow tax base collection, preventing economic growth which can be used to uplift state enterprises

Only 1% of Pakistanis pay direct taxes [World Bank, 2024] such a narrow base prevents economic growth which can uplift the SOEs.

This causes privatization in the long run

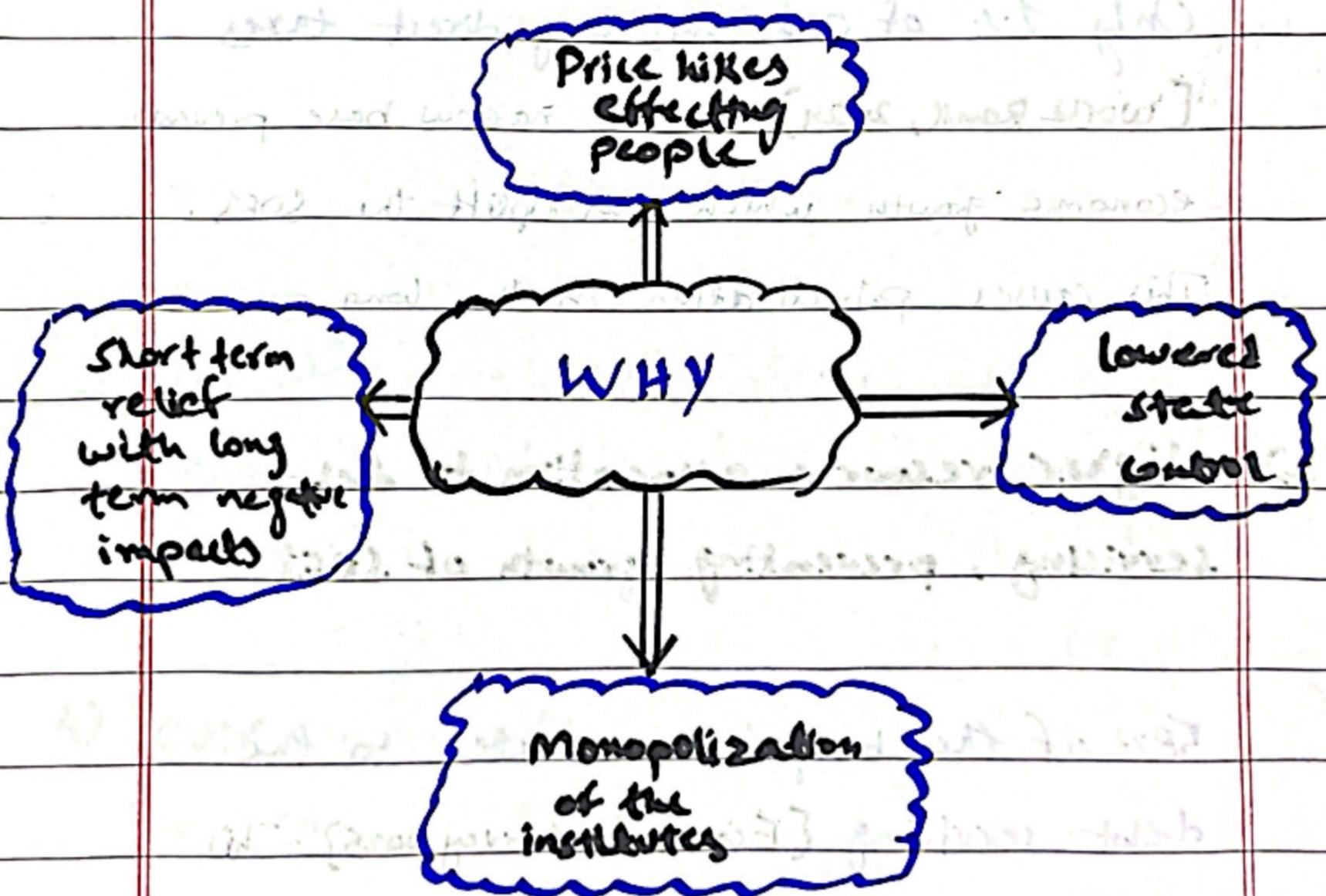
- 2) Higher resource allocation to debt servicing, preventing growth of SOEs

58% of the budget is allocated to the debt servicing [Economic Survey 2025] - This prevents resource allocation to the SOEs to strengthen their output leading to privatization.

- 3) Lack of accountability in state owned enterprises leading to privatization

The officials are not held responsible for their negligence which is leading to the increase in losses, making privatization inevitable for survival.

3.3) COUNTER PERSPECTIVE: PRIVATIZATION IS NOT ALWAYS THE SOLUTION



4) RECOMMENDATIONS FOR THE IMPROVEMENT

4.1) Open bidding in case of privatization to get the best possible offer

Open bidding such as in the case of

PIA is bound to bring the best possible offer, which can provide economic growth

to Pakistan.

4.2) Higher focus on public-private partnerships for effective growth models

Public private partnerships where ownership belongs to the state and the running and economic growth perspective lies in the hands of the private partners is bound to reduce privatization.

4.3) Categorization of the enterprises for effective retention and privatization

The state owned enterprises should be

Day: _____

Date: _____

categorized as

Most important

Should be retained

Less important

Should have public-private partnership

Least important

Should be privatized

4.4) Incorporation of technocrats for improving the SOEs

Trained specialist such as engineers, chartered accountants, ergonomists etc should be incorporated to improve the SOEs in their true letter and spirit

4.5) Following the footsteps of the developed countries

Following the lead of china, Russia, Japan etc can help in a policy formulation that would provide surety to uplift

Day: _____

Date: _____

the enterprises. Copying the developed countries and devising strategies of growth can curb the reliance on privatization
{Pervaiz Haidbuoy, step by step}

4.6) Performance reports to maintain surveillance on the SOEs

Performance reports can help to ~~decrease~~ uplift the SOEs by holding the workers their accountable

5) CONCLUSION:-

To conclude, yes, privatization has become inevitable in Pakistan. It has caused economic strain on the budget due to chronic losses, draining of public resources etc.

However, strategies, such as, performance reports, open bidding, incorporation of technocrats etc are all bound to uplift the issues relating to privatization