

Privatization is inevitable as State Owned Enterprises have been a huge burden for the budgetary economy of Pakistan. Analyze the statement and give recommendations.

Current Affairs

Privatization of State-Owned Enterprises (SOEs) in Pakistan

→ Introduction:-

State-Owned Enterprises (SOEs) in Pakistan have been criticized for inefficiency, corruption and recurring losses. According to Asian Development Bank (ADB), loss-making SOEs are a major impediment to Pakistan's economic progress. The debate centers on whether privatization is the only viable solution. These entities have become a massive fiscal burden, draining over \$4.1 billion annually, exceeding allocations for education and health. While privatization promises efficiency and reduced corruption, it also raises concerns about social equity and strategic control.

→ Fiscal Burden of SOEs

- Annual Losses: SOEs incurred losses exceeding \$4.1 billion in 2022, surpassing combined allocations for education and healthcare.
- Outstanding Liabilities: As of December 2023, SOEs carried debt of PKR 2.35 billion, worsening Pakistan's fiscal deficit.

* Case in Study: PIA of Pakistan

PIA had accumulated over Rs.670 billion (approx \$3bn) in debt and liabilities, which the govt. absorbed before privatisation. This shows how SOEs drain the budget and taxpayers repeatedly bear the cost.

- Inefficiency and Corruption: Chronic mismanagement, political interference and overstaffing have made SOEs unsustainable.

“When the state becomes the perpetual financier of inefficiency, the nation pays the price in poverty.”

- Inevitability of privatisation: Privatisation is not optional when SOEs become fiscally unsustainable. However, privatisation alone is not reform — governance failures must be addressed first.

- Cycle of Losses: Pakistan's SOEs have historically repeated cycle of mismanagement → bailout → privatisation → continued inefficiency.

“Privatisation did not create the cost; it revealed it”

This means that losses were already embedded due to mismanagement; privatisation only exposed them.

→ Historical Context

- Privatization Drive was initiated in 1991 under Nawaz Sharif's government, selling banks, telecom and industrial units, aimed to align Pakistan with global neoliberal reforms. (Paradigm Shift)
- Mixed Outcomes: While some privatisations improved efficiency, others faced criticism for lack of transparency.

→ Cases in Study

(i) PIA: Once a symbol of national pride, it became a loss-making entity with debt exceeding Rs. 670 billion. It has been privatised in late 2025, aiming to reduce losses and modernize operations. A private consortium led by Asif Habib Corporation acquired a 75% controlling stake in PIA for Rs. 135 billion. The transition to private management

is scheduled to be completed by April 2026, with the government retaining a 25% minority stake.

(ii) Pakistan Steel Mills were shut down in 2015 after years of losses; yet continues to drain billions in salaries and liabilities. Privatisation attempts stalled due to political resistance.

"Most SOEs are simply not privatisable ... liquidation is the least costly option."

(Dawn)

This means that some enterprises are beyond saving and should be shut down rather than sold.

(iii) Energy sector SOEs

Circular debt in power companies has crossed Rs. 2.6 trillion, crippling the energy sector.

"The ship of state cannot sail with anchors of inefficiency tied to its keel."

(iv) Global Prospective

Countries like India and Turkey have successfully privatised telecom and airlines, improving efficiency and service delivery.

→ Arguments in favor of Privatisation

1. Fiscal Relief: It reduces budgetary burden and debt accumulation.

2. Efficiency gains: Private management incentivizes productivity and service quality.

"Privatization is not the sale of assets; it is the purchase of efficiency."

3. Foreign Investment: Privatization signals openness to global capital, improving investor confidence.

As per Dr. M. Asif (Pakistan Observer, 2025): "SOEs are a significant drain on the national budget and privatization is the only way forward to unlock growth."

4. Reduced Corruption: Privatization minimizes political interference and patronage networks.

→ Recommendations

(i) Selective Privatization

Privatize loss-making enterprises (eg, PIA, Steel Mills) while retaining strategic assets (e.g. defence-related industries)

(ii) Governance Reform First

Strengthen boards, accountability and professional management before privatisation.

"The real reform is not the sale itself but fixing the governance structure." (Dawn)

Governance reforms is the missing link in Pakistan's privatization drive.

(iii) Competition

~~Ensure~~ privatized firms are not shielded by subsidies or monopolies.

(iv) Liquidation Option

Shut down non-viable SOEs

instead of prolonging losses.

(v) Classify Objectives

Decide whether privatisation is for fiscal receipts, efficiency or sectoral expertise.

minimum description under a heading should be 5 lines.....

(vi) Communication Strategy

Engage public to reduce suspicion in reforms.

(vii) Public - Private Partnerships (PPP)

Encourage PPP models in energy and infrastructure to balance efficiency with public interest.

(viii) Regulatory Framework

Strengthen oversight to prevent monopolies / exploitation and ensure consumer protection.

(ix) Transparency

Ensure open bidding processes and parliamentary oversight to avoid crony capitalism.

"The cure for inefficiency is not ideology but accountability."

(x) Social Safeguards

Provide retrenching and compensation

packages for displaced workers to mitigate unemployment risks.

→ Conclusion

Privatization of SOEs in Pakistan is not just an economic choice but a fiscal necessity. With losses surpassing billions and debt strangling the economy, the state can no longer afford inefficiency. SOEs have become unsustainable, draining resources that could be invested in education, health and infrastructure. With proper regulation, transparency, fairness and social safeguards for workers, privatization can transform Pakistan's economy from inefficiency to competitiveness. In short, privatization is inevitable, but it must be strategic, transparent and socially responsible.

As the poet Tennyson wrote:

"The old order changeth, yielding place to new."

Pakistan must embrace reform to sail towards fiscal stability and national progress.