

# Is Privatization of Public Services Beneficial or Detrimental to Developing Countries?

## Outline

### 1- Introduction

Thesis statement: Privatization of public services poses both advantages and disadvantages to developing countries. However, its pros surpasses the cons and with vigilant measures, it can prove beneficial for the developing economies.

### 2- Privatization of Public Services; An Overview

### 3- Advantages of Privatization of Public Services (Thesis)

- a - Boost the quality of services
- b - Reduces Fiscal burden
- c - Enhances competition in the market
- d - Surpasses bureaucratic red tape culture
- e - Attract foreign direct investment

### 4- Disadvantages of Privatization of Public Services (Anti-thesis)

- a - Basic necessities become vulnerable to market forces
- b - Mainly driven by profit
- c - Potential job losses
- d - Economic disparity



## 5. How Privatization can Benefit the Developing Countries? (Synthesis)

- a- Governments set regulate prices to ensure affordability; A case study of United Kingdom
- b- Profit maximization approach leads to cost cutting and attention to consumer satisfaction
- c- Governments impose employment guarantees during the privatization process; A case study of Egypt
- d- Governments can provide subsidy subsidies to vulnerable sectors; A case study of Argentina

## 6. Conclusion



Privatization refers to the transition of public services or assets to the private ownership and control. It has been a prominent policy tool in developing countries. The paramount aim of undertaking privatization is to increase the efficiency of economy along with enhancing the quality of services provided to the masses. Other than economic activities, it has the capacity to surpass the bureaucratic red tape culture that has been plaguing the government sector since forever. Privatization increases the competition in the market and forces the companies to enhance their consumer satisfaction. Conversely, critics contend that privatization can exacerbate social inequalities and may lead to job losses. They argue that basic necessities of life, through privatization, become vulnerable to market forces and reinforce social disparities. However, taking the examples of other countries, it is evident that if



the process of privatization is undertaken with conscious and vigilant steps, it can be proven beneficial for the developing economies.

The global trend of privatization initiated in 1980s. For decades prior to this time period, governments around the world took on variety of tasks such as education, health care <sup>and</sup> other social services. Then in 1980, the tide of public sector expansion began to turn in United States of America and in European states. Similarly, Pakistan's privatization program was initiated in 1989 concentrating primarily on energy sector. Later, the **Privatization Policy 1994**, was brought forward for economic reforms. Despite showing promising results, the private privatization initiatives sparked concerns regarding their impact on the wealth gaps, income inequality and majorly on unemployment. The conundrum underscores the



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need for a careful evaluation of consequences and demand drastic measures at government level to bring the issue at national level and build consensus among parties for continuity of the program.

Privatization has the potential to alleviate economic grievances through increasing economic activity and boosting economic efficiency. The paramount aim of privatization is to increase economic efficiency as it has profit-oriented approach. It can manage resources more effectively and efficiently. In return, the quality of services provided to the masses increase significantly. The profit maximization approach pushes the companies towards improvement in their provision of services and attention towards customer satisfaction. Thus it leads to boost the quality of services.

Another significant aim of



privatization is to reduce the fiscal burden on the state. Public sector enterprises involves substantial costs. <sup>Per year</sup> In Pakistan, state operated enterprises's losses reached 730 million in fiscal year 2022. Public sector enterprises such as Pakistan International Airlines and Pakistan Railways are the major contributor to these losses. By privatizing these com enterprises, government can significantly lower these costs. and

Privatization is also viewed as a tool to enhance the competition in the market. It invites private participation and reduces states monopolies. The opening of markets leads to healthy competition and drive businesses to offer better products and services. Private firms invest in technologies to gain competitive edge and, in turn, enhance service quality and efficiency. Kenya is the glaring example where



privatization led to competitive environment and innovation and technology transfers. Thus, the competitiveness enhances the quality and efficiency of services.