

## QUESTION NO.1

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State owned enterprises have been a huge and persistent burden on the budgetary economy of Pakistan. Why and how these enterprises should be privatised?

### STATE OWNED ENTERPRISES: A BURDEN ON ECONOMY

Small and medium <sup>sized</sup> state-owned enterprises are a huge and persistent burden on budgetary economy of Pakistan. They drain ~~na~~ pull major economic budget from annual fund compromising other sectors significantly. The state-owned enterprises have become a burden due to following causes.

#### (a) Inefficiency and mismanagement

The state-owned enterprises, such as steel mills, Pakistan airlines, power distribution companies have become less efficient. They are using greater amounts of money and inputs with inadequate output. Most of the enterprises



are mismanaged due to corrupt practices of the stakeholders. SOEs have plagued by outdated infrastructure, bureaucratic inefficiencies and lack of innovation. Political interference and appointments on the basis of external sources and nepotism have produced inefficient system management. Decision-making in the favour of personal interests of politicians has resulted in inefficiency of the state-owned enterprises.

### 6) Financial losses

Due to mismanagement and lack of efficiency, state-owned-enterprises continuously produce significant losses. These losses become a heavy burden on the government. The state provide subsidies and bailouts. Due to capital loss, states dependency on western loans is increased.

According to prime institute, in Fiscal year 2020, power sector resulted in loss of almost 320 billion Rupees, infrastructure, transport,



and communication sector resulted in loss of almost 295 billion rupees. A total loss of almost 375 billion rupees was faced by government in fiscal year 2022. Government payed 1.93 trillion rupees from year 2019 to year 2022.

### (c) Debt Accumulation

Pakistan's government pay subsidies and acquire loan to accomplish deficiencies that reduced economic credibility of the state. The vicious cycle of acquiring loan has accumulated ~~loan~~ debt.

Hence, state owned enterprises are large burden on economy of Pakistan.

### (d) Drain on public finances

When the state pays capital amount of annual budget on subsidies of large state-owned enterprises and remaining amount in debt, it diverges the budget of other sectors such as health, education, and



agricultural development. Therefore, other sectors are compromised and the state is compelled to short-term policies - for stability. The large burden on economy due to SOEs should be reduced through privatization of these sectors. that may ensure sustainable development of the state.

## WHY STATE OWNED ENTERPRISES SHOULD BE PRIVATIZED

In the backdrop of above detrimental effects of state-owned enterprises, private privatization can produce following benefits.

### (a) Increase the efficiency and productivity

The transition of the enterprises from public to private sector can increase efficiency. Several negative factors such as political interference, nepotism, bribery, corruption and red tapism would be reduced. The private firms will run the enterprises to produce maximum benefits. Efficient



Stakeholder, experienced and skilled officials will bring innovation. They will strive to hire skillful workforce rather than corrupt & workforce. Hence, privatization can increase productivity and ultimately reduce burden on the government.

### ② Private enterprises bring opportunities for increased foreign investment

Private ownership can attract the domestic and foreign investment and it ~~they~~ ensures the stability of the policies. Hence, it fosters economic growth and job opportunities. More investments in the state will increase changes of infrastructure development and modernization of the industries.

### ③ Privatization reduce burden On the state economy

The burden of subsidies and loans will be reduced from the state by privatization of state-owned enterprises. Hence, it will conserve state resources for utilization in other necessary sectors.



Such as education, technology, health, and poverty reduction. Therefore, this step of government will improve socio-economic status of the state.

#### ④ Reduce corruption and political interference

The inefficiencies due to corruption, bureaucratic red-tapism, political influence, will be declined. Private enterprises reduce the opportunities for corrupt practices.

Hence, it increases transparency, accountability, better governance and effective public service delivery.

#### ⑤ Stimulate economic growth

More efficient enterprises will work with better results. They will create job opportunities, generate better revenue and contribute to the GDP instead of previously acting burden. Therefore, state owned enterprises should be privatized.



## MEASURES TO CONDUCT SMOOTH PRIVATIZATION

### (a) Comprehensive observance of state enterprises

There should be comprehensive assessment of each SOE to determine its financial health, market value and restructuring need. Every detail regarding the SOE should be attained with ensured transparency.

### (b) Transparent and competitive process

Ensure that the process of privatization is conducted with transparency maintaining its competitiveness. It would attract the investors and prevent the allegations of corruption.

### (c) Public-private partnership

Public-private partnership is a better approach which allows state control and private partnership. Through this approach state will be able to increase efficiency of the enterprises.



while maintaining its ownership.

### (d) Gradual implementation

Government should initiate the transition of state-owned enterprises to the private firms from the most inefficient and loss-making SOEs while preparing others for privatization.

### (e) Regulatory framework

Government should establish independent regulatory bodies to monitor private enterprises to maintain and ensure the service quality. These regulatory bodies will ensure their performance meets the standards and hence, ~~the~~ reviving the state economy.

## CONCLUSION

Privatization of state-owned enterprises is not just a necessity but an important step to alleviate burden and stimulate economic growth. It will bring efficient and



Skilful stakeholder who will ensure to bring innovative measures. Their meticulous measures will not only reduce burden of the state but also produce job opportunities for the public.





QUESTION NO. 3

Critically evaluate the recurring separatist insurgencies in Balochistan. Recommend policy options for the state of Pakistan to resolve the issue once and for all.

SEPARATIST INSURGENCIES  
IN BALOCHISTAN

The militancy and insurgency has intensified in Balochistan recently. It has claimed hundred of lives including civilians, security personnel and foreign nationals. There are several factors that have intensified these separatist movement. Some of the reasons are discussed below:

① Marginalization of Balochistan Province

Balochistan is the largest province of Pakistan with minimal population as compared to other provinces. It is rich in natural resources, such as oil, gas, and minerals. However, the Baloch people are ignored continuously by the state. The province faces poverty, hunger, unemployment and lack of basic facilities. The



health and education are in dire situation. Despite being rich in resources, the progress in Balochistan is minimal as compared to other provinces. These factors have produced grievances in Baloch people and youth is frequently involving in separatist movement due to their alienation.

### (b) Political disenfranchisement

Baloch representative lack adequate representation in the federal government. They are ignored and separated from central decision-making fueling the separatism movement ideology.

### (c) Militarized approach by government

With the aim of controlling insurgency and terrorism, the state has adopted militarized policy. The state has conducted several military operations in Balochistan instead of dialogues. This coercive policy by the government has further worsened the already dire situation.



### (d) Exploitation by other provinces

Balochistan is exploited by other provinces such as Punjab and Sindh. Local communities see little benefit from resource extraction and major part of resources is utilized by other province. Therefore, these approaches by the state has produced resentment in the public of Balochistan province.

### (e) Sectarian conflicts and external influence

The insurgent movements in Afghanistan are fuelled by sectarian conflicts. External factors are also involved such as Afghan refugees, penetration of terrorists through porous border, support from India to maintain instability in the state. These regional rivalries and external influence multiply the ~~destability~~<sup>destabilization</sup> of the state.

### (f) Geostrategic importance

Balochistan's strategic location is of great significance. China's CPEC and development in Gwadar will make



it a hub of transport and exports. Due to Gwadar port, this area has become a focal point of competing domestic and international interests, complicating the resolution efforts.

## Policy Recommendations for Pakistan

### ① Ensure equitable resource distribution

The government should reallocate the distribution of resources and provide equitable resources. Fair policies should be formulated and local communities should be uplifted. The state should focus on infrastructural development and ~~ensure~~ build schools, hospitals, universities, colleges. It should also prioritize Baloch youth in job opportunities, scholarships, incentives to reduce resentments for people of Balochistan.

### ② Prioritize education and health facilities

The education system in Balochistan is in dire situation especially girl education. Government should make



comprehensive policies such as hybrid technical and vocational training institutes, community-based learning centres for girls and other such approaches to ensure education. The state should build hospitals and ensure ~~ter~~ functional tertiary care hospitals in the provinces. These policies will decrease separatist ideas and produce patriotism ~~in~~ ~~into~~ ideology in the youth of Balochistan.

### (c) Political autonomy

The Balochistan representative should be given political autonomy in decision-making. The state should ~~prioritize~~ respect 18th amendment and devolve powers adequately so that local representatives are empowered and they work freely for their local communities' prosperity.

### (d) Ensure border security

The government should strengthen border security so that other terrorist groups doesn't enter the state. This will bring stability to the region.



② The Government should prefer dialogue instead of militarized approach

Negotiations and diplomacy with public representative will reduce grievances of public and control separatism. Government should initiate dialogues with insurgent groups and political representatives to address the resentments. They should shift from coercive approach and focus on better governance and development of the province. There should also be investigation and government should hold accountable those individuals who are responsible for human rights violations such as enforced disappearances.

### Conclusion

Baloch insurgency has not intensified in one day. It is due to government's continued negligency and weak policies. However, it can be controlled through long-term strategic policies such as equitable resource distribution, infrastructure development, health and education delivery. Government must ~~enter~~



initiate dialogues with the insurgents and address the grievances of public. By fostering a sense of ownership in the Baloch people and integrating the province into national framework, Pakistan can enter into long-term peace and ~~pro~~ prosperity.

