

## English Essay - Q NO. 3

"Is Privatization of public services beneficial or detrimental to developing countries?"

### Outline:-

#### ① Introduction:

i) Background

ii) Thesis statement: Privatization of public services is beneficial to developing countries.

#### ② Benefits of Privatization in Developing countries:

2.1:- Privatization brings efficiency.

Case Study: Telecommunication in

Africa.

2.2:- Privatization: A source of innovation.

Case Study: Power Sector in India and Kenya.

2.2:- Privatization brings quality and accessibility to larger extent.

Case Study: Water System in Chile.

2.4: Reduction in financial losses and bringing capital to economy by privatization.

Case Study: PIA and Steel Mills of Pak.

2.5: Job Creation and Skill Development

### ③ Criticism on Privatization in Developing Countries:-

3.1:- Inequality and Job Losses due to privatization.

Case Study:- 1990's South Africa - Price Hike.

3.3: As per Critics, Privatization leads to less accessibility and ~~Job losses~~ and accountability (less).

Case Study: Privatization in Nigeria.

3.4: Critics oppose Privatization due to vulnerability to Foreign Control.

Case Study: East-India Company.

### ④ Rebuttal : Balancing Privatization with Public Interest

4.1: Targeted Subsidies and Gradual Implementation

(It will result in accessibility and Equality).

4.2 :- Regulation and Public Private Partnerships (It will result in accountability and prevent foreign control).

⑤ Conclusion.

## Essay:-

Privatization can be defined as transfer of ownership from government to the private potential investors who are interesting in the administration of those entities. This debate of privatization in developing countries has taken much fame in the recent years that whether it is beneficial or detrimental to the economies of developing countries. The supporters of privatization argue that it will help in reducing inefficiency, bringing innovation and reducing financial yearly losses. Privatization will also help the loss bearing entities convert into profit making entities. While, those who are in opposition of

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privatization argue that privatization creates inequality, limit accessibility of every person, losses of jobs and less check and balance. But, in developing countries where entities like public airlines, steel mills, health care, education and other larger entities which are not performing well due to political interference, less funds, lack of innovation are to be privatized and their ownership to be transferred to the potential buyers who can bring funds and innovation and convert them into qualitative and profitable entities. The concerns of critics can be addressed by proper regulation,

public private partnerships and targeted subsidies. In this essay, the benefits of privatization in developing countries will be discussed.

Privatization brings efficiency in the entities which are not performing well. Due to less check and balance and political interference, the state owned entities employees don't perform well and sometimes the hiring of employees is doubled or tripled than the required ones. This results in decreased overall efficiency. But, when it will be privatized due to increased check and balance and performance based work will result in increasing overall efficiency. For

instance, the privatization of telecommunication sectors in Africa resulted in bringing efficiency and now available in maximum range with high speed access. Hence, efficiency was brought with privatization.

Moreover, Privatization also results in bringing innovation in the current entities which worked on conventional means due to lack of funding.

In developing countries, the major issue that is a wall in bringing innovation is lack of funding. Due to this factor, Govt. is mostly unable to hire the innovative minds and if do so then fail to implement them.

But, the potential buyers have that

that junk of money to hire those minds and implement these options  
 For Example:- India and Kenya has privatized their power energy sectors and these privatized energy sectors brought innovation and creating a major junk of power by renewable sources of energy.

Privatization also brings quality and accessibility to much larger extent. In the developing countries, due to less availability of funds quality can not be achieved to larger extent. If do so to provide this qualitative material to everyone is still a challenge. But, the private entities due to availability of funds and potential investors both quality and accessibility can be achieved.



Let us take an example of Chile, there was a problem of qualitative water and also accessibility to the common people. By privatization, it was achieved and now qualitative water through solid water channels is available to everyone.

Privatization can also be a source of converting loss bearing entities into profitable entities.

The loss bearing entities are dual harm for the economy of developing countries. On one side it eats a junk of economy and on other side it rebukes Govt. from investing in much needed programmes. Such as PIA and Pakistan Steel Mills are bringing loss of 150 million dollars and 200-250 million dollars to the economy.

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of Pakistan yearly. By privatization, on one side this yearly loss to the economy of Pakistan will be decreased and on other side a major jump get by the privatization will result in increasing national reserves and decreases in inflation ultimately.

The ultimate benefit of privatization often results in creation of jobs and the transformation of skill to the common man. Private entities focuses on the efficiency and skill development. The innovation and efficiency on one hand make the entity profitable, and, on the other hand the new departments and skills are introduced in the market. This ultimately results in

The creation of more jobs and expanded ones. Above, the discussion is related to the benefits of privatization and the contribution of privatization positively to the economy of developing countries. But, some critics argue that privatization brings potential losses as well. Below, the concerns raised by critics will be discussed.

Critics argue that the process of privatization brings inequality in the society and result of job losses as well.

They say that private entities only focus on the profit making and they <sup>entities</sup> can do anything for that purpose. Moreover, there is a huge chance of job loss. Since, private entities focus only profit

making, these entities will try to take work of more than one man to a man. This will result in huge unemployed people and price hike as well. They give example of 1990's privatization of South Africa. The private entities created a hegemony and sell their products at their own set price resulted in inequality. Also, these entities took most of the work and pay less to the working class resulted in unemployment and inflation.

Moreover, critics also argue that privatization result in bringing less accessibility of the product to the common man in terms of affording. Also, the accountability level on these entities is difficult due to their

hegemony in the society. For example, Nigeria is mostly privatized. This privatization resulted in very less accessibility of sources and products to the rural areas both in terms of affordability and access. The private entities do not making a supply line to the rural areas because the investment in supply lines is more but the profit is less. This is resulting in becoming rural areas be more underdeveloped and urban areas be more developed. A major class difference has emerged due to privatization. This is stance of critics on privatization.

Critics also oppose privatization due to the vulnerability of foreign control. Privatization is

a model of capitalism in which every entity has to be privately owned and market has to control the prices of the supply and the products. This creates hegemony of a few rich investors and they can control the market without the influence of Govt.

This is a major concern of critics. Critics argue that in 17's and 18's century, East-India Company in Sub-Continent first built their private entity for business. Later, they created their army and started threatening their Govt. and resulted in the creation of their own governmental setup and control over whole Sub-Continent. Critics argue that privatization can be result in

the formation of state inside state - And, the vulnerability to the foreign control is always there.

While, critics argue in opposition to the Privatization.

But, these can be addressed by targeted subsidies and gradual implementation. Privatization is indeed beneficial for the economy of developing countries. By controlling and applying filters to the process of privatization can result in the more effective way of Privatization. To address the price hike and inequality of factors of critics, Government can give selective subsidies to maintain equality in this

sector. This will also help in the accessibility of these supplies to the rural areas and underdeveloped areas as well. Moreover, gradual implementation of privatization is also better for developing countries. For example: on first phase Pakistan should privatize the major PIA and steel mills and focus on healthcare and education. In this way, on one side loss bearing entities will be reduced and on other side basic needs departments will be furnished.

By regulation and accountability factor of Govt. on the private entities will address the hegemony of the market base economy and by public



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Private partnerships the vulnerability to Foreign control factors will be addressed. Private owned entities must be in check and balance by the Government so that unethical hikes in prices and accessibility to the common man has to be ensured. Moreover, the argue of critics that the East-India Company like hegemony might be created, so the public-private partnerships can be a solution in these sectors. By using this balance approach, the ultimate benefits of privatization can be achieved.

In developing countries, where low funds is a critics, privatization can bring potential benefits to the economy. Privatization

of public services is beneficial and brings a lot of benefits such as bringing of efficiency, innovation, quality and accessibility to larger extent, reduction in financial losses and bringing capital to the economy and ultimately result in creation of new jobs and development of skills in the employees. While, the argues and opposition of critics on the basis of inequality, job losses, less accessibility and vulnerability to the foreign control can be addressed by targeted subsidies, gradual implementation, regulation and public private partnerships. Hence, the ultimate benefits can be achieved to the economies of developing countries by controlled privatization.