

Q2) State owned enterprises have been a huge and persistent burden on the budgetary economy of Pakistan. Why and how these enterprises should be privatised.

### Introduction:

State owned Enterprises have been from a last few years are being consistently present itself as a huge burden on the government sector for its expenditure. There are more losses in the SOEs and less benefit is being getting through it hence there is dire need of the privatisation of these SOEs.

## State OWNED ENTERPRISES: CONTINUOUS BURDEN ON ECONOMY OF PAKISTAN:

~~There is~~  
There are more than 100  
SOEs that has been present  
itself as burden on the economy

Government Pays the  
expenditures of these Enterprises:

Government of Pakistan  
is responsible for paying  
the expenditures. As PIA's  
discos have been going  
in loss so the government  
of Pakistan is being giving  
the expenditure of these  
sector by itself.

## State Owned Enterprises in Pakistan (SOE):

Banks

Pakistan state oil

Industrial Estate

Mining and engineering companies

manufacturing companies

Pakistan agricultural storage

Services Corporation

## More losses and less Benefits of the State Owned Enterprises:

There is less benefit as they contribute less to the GDP of the country while about 40% of the country's budget is being spent on SOEs only.

Portion of Budget allocated to SOE is more huge in amount:

It is about 27.69% of annual budget that is allocated to the SOEs.

The total annual budget for Pakistan is around 9,404,896 Rs with SOEs receiving about 7,365,449 Rs. This shows that about 40% of the Pakistan GDP goes towards the SOEs that shows that there is greater burden on the government to pay for these enterprises. Thus it necessitates

that the SOEs should be  
privatised  
**Transparency and Accountability**  
is lacking:

In Pakistan, in the sectors of SOEs  
Corruption-based  
governance is present persistently.  
Despite the efforts still  
the government is unable  
to find the solution for  
reducing or eliminating the  
corruption and increased transparency

less technologically upgraded:

SOEs are less technologically  
developed. As the PIA and  
the other sectors and as  
banking still are deprived

of the technologically advancement techniques seen by today.

## Reasons OF PRIVATIZING STATE OWNED ENTERPRISES:

Enhanced productivity

Less financial Cost on Government

Competition that leads to increased economic growth

Professional Management

Enhanced transparency and accountability

Access to Capital

Work Bank Recommendations

Privatizing DISCOS will help reduce the transmission lines losses:

DISCOS is going through more losses but by privatization they will re-integrate the better transmission and the distribution lines hence the benefits of the privatization will be more.

Case in study of India:

India have Privatized its DISCO from the last few years and hence it was able to reduce the losses in the electricity lines

## Industries Privatisation:

The industries privatisation would help in the development of their machineries, better employees interest in the work and increased wages, ultimately industries will flourish.

## Banking Privatisations benefits the National Economy of Pakistan

As the MCB after privatisation has benefitted more by 500% in its output thus it can be stated that "the privatisation of banks will increase the financial benefits of the banking systems



How the State owned  
Enterprises should be  
Privatised:

Function of Executive  
to privatise the SOEs:

In Pakistan, it is the  
duty of executive to  
privatise the SOEs.  
With the help of Parliamentary  
supervisions, the SOEs  
will be privatised through  
a proper formal process.

State as a "Regulator"

To control the abnormal  
increase in prices of the

products  
SOEs,  
the SOEs  
by state

Judicial  
Intervention  
Privatisation

Judicial  
the  
fault by  
the  
that  
be  
of  
the  
SOEs

products and services of the SOEs, all the affairs of the SOEs will be regulated by state.

Judiciary should not intervene in the SOES privatisation process:

Judicial intervention in the past did not bring forth full results hence the demand of time is that now there should be no any intervention of the Judiciary in the privatisation process of SOES.

Political Parties should  
be having same opinion  
on signing the "Charter of  
Privatisation":

All the major political  
parties of the Pakistan  
should be having same  
opinion and there must  
be unity. To sign the  
Charter of Privatisation  
all the political parties  
should discourage the  
differences in their  
opinion. Rather they  
should be signing the  
Charter of Privatisation  
in uniformity.

Process of the Privatization  
of state owned Enterprises....  
included 7 steps:

1. Identifications of SOEs and their values
2. Approval for privatization
3. Bidding process
4. Appraisal and Approval of Bids
5. Approach Successful Bidders
6. Finalise Sales Agreement
7. Transfer of ownership.

## Conclusion:

There are many burden of the SOEs on the government sectors as that of PIA - discos have shown the results that needs the privatization phenomenon as the only way that can deal with the SOEs challenges to the state.