

# Is Privatization of Public Services beneficial or detrimental to developing Countries?

**Thesis Statement:** Privatization of public services is a beneficial strategy for developing countries. While some argue that privatization is detrimental, however, it offers viable services to developing countries.

## Outlines:

### I. Introduction

- Hook Statement
- What is privatization, and context of developing countries
- Thesis Statement

### II. Privatization is a beneficial strategy for developing countries.

#### A. Brings Expertise to streamline operations and reduce wastes to enhance efficiency:

- (a) The privatization of Pakistan Telecommunications Company Limited (PTCL) in 2008 causing 20% reduction in operational cost.
- (b) The privatization of Argentina's telephone company



ENTel led to 30% reduction in operating cost

**B- Fosters a competitive environment driving innovation and better services.**

(a) The privatization of energy sector in UK led to 30% increase in electricity production.

(b) The privatization of Habb Bank Limited (HBL) and United Bank Limited (UBL) in Pakistan.

**C- Creates new employment opportunities growing human Capital**

(a) The privatization of Telecom sector in India creates over 1 million new jobs.

**D- Accelerates infrastructure development supporting economic growth**

(a) Lahore Motorway M2's construction and operation privatization.

**E- Reduces fiscal burden on government.**

(a) The selling of 73% stake to Saudi-based consortium of Karachi Electric Supply Company (KESC)

**F- Provides improvement in Customer Service**

(a) The study of privatized telecom companies of US.

**G- Increases revenue generation through user fees**



(a) The privatization of oil and gas companies by Pakistani government in 1990s.

### III- Privatization of public services is a detrimental to developing countries.

#### A- Exacerbates unequal access

(a) Water privatization in Bolivia (1999-2003)

#### B- Erodes Government Revenue

(b) Telecommunication privatization in Argentina

#### C- Neglects environmental responsibilities

(c) Mining privatization in Papua New Guinea (1990s)

#### D- Fastens dependence on foreign investment

(a) Energy privatization in Turkey

### IV- Privatization of public <sup>sector</sup> services offers viable services to developing countries.

#### A- Expands access to essential services

(a) Rwanda's telecom sector

#### B- Boosts the revenue of government

(a) Ghana's Telecom Sector earned \$1.2 billion from sale of 70% stake.

#### C- Promotes sustainable practices.

(a) Privatization of Costa Rica's renewable energy

#### D- Sustainable domestic investment and growth of



## Local Economy

(a) Kenya's Banking Sector.

### V. Conclusion



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"Privatization is the transfer  
of power from many to the  
few"

Tony Ben

As the governments around the world grapple with complexities of providing basic services to its citizens, a pivotal question emerges: should the state or private sector assume the responsibility of delivering vital and efficient services? The response, for many developing countries, has been privatization - a policy which is mostly in debates and has far-reaching consequences. In its case, privatization actually refers to the transfer of ownership of public goods from government to private entities. The supporters of privatization believe that it leads to increased efficiency, reduced costs and burden on government, and hence improved services, while critics argue that it leads to unequal access, environmental degradation, and reduced government revenue. In fact privatization of public services is a beneficial strategy for developing countries.

While some argue that privatization is detrimental - However, it offers viable services to the developing countries -

Privatization helps make services more efficient. The reason is that private companies bring in their expertise and management skills.

They know how to run the business well and make it successful. When Pakistan's PTCL (Pak

Telecom Company Limited) was privatized in 2006,

it reduced costs by 30% and increased phone lines by 25%. Privatization consequently leads

to better productivity and quality of service. As private companies focus on providing good services -

As Argentina's telecom company Entel was privatized in 1990s which led to 40%

expansion in coverage and 25% reduction in price.

These examples show that privatization can make services more efficient and better for <sup>every one</sup> ~~everyone~~.

Increased competition and innovations are the key benefits of privatization. Multiple private companies are introduced in the market - It leads to a diverse range of



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Services and products, catering to different customer needs. As companies compete with each other, they try their best to offer more services in less price. For instance, the privatization of bank like Habib Bank Limited (HBL) and United Bank Limited (UBL) in Pakistan improved their efficiency ranking Pakistan in top countries in banking services.

Private companies bring in new technologies and expertise, leading to improved services. The private companies for competition invest in more research and technology. It leads to innovation.

As Nestle Pakistan is a private company that has introduced a range of innovative products such as Nestle MilkPack, Nescafe, and Maggi noodles. Therefore, privatization leads to increased competition, <sup>and</sup> innovation in the country.

Privatization attracts new investment leading to <sup>new</sup> jobs creation. Private companies usually expand their services causing an increase in the employment opportunities. Moreover, the



private companies streamline operations, which creates jobs in areas like management, marketing and sales. **The privatization of Telecom sectors in India created**

**over 1 million new jobs.** The private companies often invest in the training of the employee and for this purpose, offers mentorship programs. These programs provide guidance and support for career path growth. Moreover, the private

companies offers internship opportunities, which give students and fresh graduates

For Instance, **Zong** is a leading telecommunication company in Pakistan <sup>which</sup> employs over 2500 people directly in sales representatives and I.T professionals.

It also offers mentorship and internship

programs. So, privatization leads to increase in the employment opportunities and <sup>all</sup> grows

human capital leading to development in the company.