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# English Essay Mock

## Is Privatisation of Public Services Beneficial or detrimental to developing countries?

## Outline

1: Introduction

2: Privatisation of Public Services is Indeed Beneficial for Developing Countries

2.1 Privatisation allows increased efficiency, reducing costs incurred.

2.2 Reduced costs decreases inflation, crucial for citizens in developing countries.

2.3 Privatisation attracts Foreign Direct Investment (FDI), stimulates economic growth in developing countries.

2.4 Private sector enhances innovation which increases effectiveness of service delivery.

2.5 Decreased government responsibilities allows the state to focus on core areas and allocate resources efficiently.

2.6 Transparent private sector practices reduces occurrence of crucial, a core problem within developing nations.

2.7 Domestic sector stregthens through privatisation, reducing import dependency and trade deficit.

2.8 Long-term growth achivement probability enhances leading to improved standard of living.

2.9 Essential for developing nations to attain status of a developed country.

## 3. The Misperceived Notion of Viewing Privatisation as Detrimental for Developing Countries

3.1 Risk of unemployment; a short-term factor countered in the long-term

3.2 Decreased government control could lead to exploitation; Strict regulation limits possibility of exploitation

3.3 Costs of private and public goods inflate; public goods remain under government's umbrella and private competition controls price of private goods.

3.4 Strategic asset privatisation poses a national threat; complete idealistic privatisation does not take place practically.

## 4. Balancing Privatisation With Public Interest Safeguards for Developing Countries

4.1 Gradual privatisation process, initiated through Public-Private Partnerships.

4.2 Strict regulatory and policy oversight to avert risk of exploitation.

4.3 Public goods delivery and Strategic assets to remain under governments control.

4.4 Ensure transparent privatisation process based on merit and collective benefit.

4.5 Subsidising private firms to control inflation when necessary.

## 5. Conclusion

The concept of privatisation of public services emerged during late 20th century. Inspired by neoliberal thought, Western nations saw privatisation as a means to counter economic stagnation and fiscal deficits. The key proponents of privatisation included American President Ronald Regon and British Prime Minister Marget Thatcher. These leaders conducted massive deregulation, sold significant portions of state-owned enterprises, and focused on reducing the size of the government. By the 1990s, privatisation was promoted by international institutions: World Banu and the International Monetary Fund (IMF) in the developing world. Marget Thatcher famously stated, "There is no other way", referring to privatisation as a means to development. However, initial perception of the developing world towards privatisation was not positive. Developing nations which were dependent on the World Banu or IMF adopted privatisation policies due to structural adjustment programs (SAPs). Gradually, the misperception towards privatisation changed within the developing world. Privatisation improved efficiency, stimulated innovation, provided significant economic growth, and transformed nations governance structures. Thus, privatisation is indeed beneficial for developing countries and the suspicions that anti-privatisation advocates hold should be addressed through a balanced privatisation approach with strict regulatory oversight and limiting strategic assets devolution.

The private sector operates with a clear objective which is profit maximisation. The entire private sector philosophy revolves around profit. The incentive allows private entities to maximise inefficiencies within the system to attain their objective. Thinkers such as Fredrick Taylor, Maslow, Adam Smith, and Masaaki Imai all produced theories and methods to reduce costs by ensuring optimal efficiency level. Governments, on the other hand, do not have a similar incentive which ensures they operate as per their capacity in an effective manner. Resultantly the costs incurred by government entities cannot match the private sector. Developing countries cannot survive or grow with these costs in a highly competitive and globalised world. Thus, to compete and grow in the contemporary world, privatisation is critical.

Reduced costs of production due to efficient and effective private sector operation allows inflation to be reduced. For example, Venezuela, Zimbawe, and Argentina all reached triple-digit inflation rate in 2024. A common factor among all three nations is their state-led economic system. Venezuela's inflation crossed 400 percent as per IMF despite having the largest oil reserves in the world. The reason is Venezuela's socialist economic model which is highly centered around nationalisation. Their inability to privatise acted detrimental to their growth. In today's world, the inability to control costs due to state inefficiencies leads to unmanageable inflation. However, nations such as India which underwent significant privatisation during the 1990s have maintained the inflation rate below 10 percent on average.

Privatisation is perceived as a signal of an economy opening up. The signal is positively taken by investors and results in a surge of Foreign Direct Investment (FDI). For developing nations, FDI is crucial for economic growth. If a developing ~~was~~ country is unable to attract FDI and is not self-reliant, it is more susceptible to debt trap dilemma. For example, Pakistan's inability to undertake privatisation in full spirit has deterred foreign investors in recent decades. As Pakistan is dependent on imported goods, especially hydrocarbons, it has taken significant debt to cover the deficit. Pakistan's current external debt stands at $93.5bn because Pakistan is unable to cover its imports bill. The solution for such countries is to attract FDI and the pre-requisite to attract FDI is privatisation.

Stimulating economic growth requires innovation along with FDI. Today's world is dominated by tech advancements which requires constant innovation. Moreover, modern day problems are complex and resolving them requires innovative public service delivery mechanisms. For example, Estonia achieved 99 percent E-governance public-service infrastructure by 2020 and ranked 8th globally in UN E-Governance Survey in 2022. Estonia's achievement took place because of private sector inclusion and innovation in transforming its governance structure. Similarly, developed nations such as United States have leveraged private sector innovation to retain the top spot in World Gross Domestic Product (GDP) ranking. Thus, privatisation led innovation is crucial for developing countries to achieve economic growth and effective public service delivery.

The privatisation model revolves around efficiency, cost-cutting, and optimal allocation of resources. This model has yielded favourable results for the private sectors since the past few decades. Similarly, a governance paradigm, New Public Management (NPM), emerged in the late 20th century which focused on applying private-sector practices to public sector management. A key aspect of the approach was efficient allocation of resources to attain the highest performance and desirable results. Privatization allows government to off-load unnecessary responsibilities such as operating a railway, an airline, or a hotel. Decreased state responsibilities allows the government to focus on core areas such as defense, currency management, and health. The effective allocation of resources is crucial for developing nations which already have limited resources to utilize.

Another element of New Public Management is its focus on transparency. The principle of transparency is one of the seven main factors that constitute as good governance as per the World Bank. Transparent practices are relatively more common within private sector entities due to existence of proper systems, lack of ulterior motives, and absence of red tapism. Developing countries usually have ~~a~~ poor governance structures and limited transparency. For example, Transparency International's Corruption Perception Index calculates a score, incorporating transparency variable as well. The

CPI in 2023 reported that 80% of the global population resides in countries with an average score of 43/100. The nations are predominantly in the developing stage. Developing countries like Afghanistan and Pakistan scored abysmally low, 23/100 and 27/100, respectively. Privatisation helps resolve the problem leading to increased transparency, enhanced score, and lower levels of corruption.

Privatisation policies promotes domestic industry as private investors find state-owned economic models as an unfair playing field due to interventions and inconsistent policies. Through privatisation domestic industry stregthens, local goods become more competitive globally, and healthy private sector competition emerges which self-regulates the markets. The stregthened domestic industry has enhanced capacity to meet local needs which reduces import dependency and eventually aids in reducing trade deficit due to higher export potential. Without privatisation it is not realistically possible for governments to meet domestic needs and enhance export potential simultaneously.

As economy stregthens amidst

reduced trade deficit and stregthned domestic industry, achieving long-term economic growth is more probable. For example, India adopted privatisation policy in 1991, stregthned its domestic industry, reduced its import dependency, and enhanced its export potential. As a result, India as per World Bank has attained an average GDP growth rate of 7.6% between 2021 to 2024. This not only reduces unemployment and inflation but also uplifts standard of living of all citizens.

Consequently, privatisation is the pathway for a developing nation to attain the status of "developed". India is on the route of enhancing its indicators and probability of becoming a developed nation towards 2050 because of privatisation. In today's globalised world with the growing relevance of technology, countries require private sector innovation, efficiency, processes, and incentives to achieve economic growth, development, competitive advantage, and good governance. Privatisation allows developing nations to improve their economy, social indicators, governance, and public-service delivery, highlighting that privatisation of public services in almost all sectors is beneficial.

The counter-argument towards the benefits of privatisation is provided by those who misperceive the concept of privatisation or by those who are driven by self-interest and prioritise personal benefit over collective gain. A common objection towards privatisation is grounded in the belief that unemployment will increase. However, cutting down of staff by the private sector produces unemployment in the short-term with low economic costs as compared to long-term economic benefits attained by cost-cutting measures which benefit all. For example, a study conducted by Pakistan Institute of Development Economics (PIDE) illustrated that Pakistan's state-owned railway employees 315 people per train versus Japan which has 3.9 people per train. due to private sector efficiency. The cost-cutting conducted by private railway operator in Pakistan would allow reduced fare ticket, lower fiscal deficit, and more optimal allocation of resources that will benefit all in the long-term.

Another misperceived notion related to privatisation is that decreased or complete withdrawal of government control would lead to exploitation in terms of price or quality. However, this concept defies the basic principle of free competition in a privatised market. Firstly, in a free market competition itself regulates the price and quality of the products as the customers are not bound to purchase a good or service from a specific vendor. Secondly, governments have policies which ensure monopolies which have exploitive practices do not emerge. Moreover, the State has its own regulatory authority which ensures certain levels of quality standards are met. These policies and regulatory authorities are present in all developing nations and the existing structures are sufficient to counter a threat similar to this.

The private sector in

a free market operating in a regulated environment is bound to price basic non-luxury goods as per their value. States at time also have price regulations for goods such as wheat to ensure food security is maintained because developing nations have a significant population living below the poverty line. As for public goods, state continues to provide some such as street lighting. In cases, where the state is not providing a public good, inflation is controlled by subsidising the private firm to ensure that the cost does not adversely fall on the citizen. Thus, the fear of inflation and commodification of public good is also a false claim.

Lastly, the most controversial concept related to privatisation relates to strategic assets of a nation. These assets include categories of defense equipment, nuclear weapons, command and control systems, water resources, and diplomatic infrastructure. States do not privatise these assets due to potential conflict of interest and national security risks associated with it. Anti-privatisation lobbyists spread misinformation about privatising These Strategic assets to manipulate public sentiment towards privatisation. The concept of complete privatisation is idealistic, unfeasible, and unproductive. State retains control over strategic assets globally. However, because developing nations are more suspicious and less accustomed to privatisation mechanism, propagandists misuse The trust deficit and information asymetry to Their benefit. However, This is also a false claim and a misperceived notion about detrimental impact of privatisation on a developing nation.

While privatisation is highly beneficial for The growth and development of emerging states, it should be undertaken Through a carefully curated process which balances privatisation with public interest. Developing nations must undergo a gradual privatisation process which is initiated Through Public-Private Partnership (PPP) model. The inclusion of state in The privatisation and post-privatisation process ensures citizens trust in the new model and allows smoother transition because developing nations lack sophisticated infastructure and models. For example, India's economic liberalisation model in 1991 utilised PPP as a key mechanism within the Telecommunication sector, road infastructure development, and airport privatisation. This reduced potential regulatory hurdles, perceived risk factors of private entities, and citizen suspicion over the new model.

Private sector exploitation in terms of quality and pricing can emerge in the developing world if proper regulations and policies are not present. Before a developing nation undertakes the privatisation process it should carefully curate its policies by taking aid from expert consultancies such as Ernst and Young and McKinsey. The regulatory authorities should be made through a properly drafted and vetted legislation which ensures proper mechanism of oversight has been established.

Essential public service

delivery such as providing National Identity Cards and Passports should remain under the control of the government due to national security concerns and critical nature of the service. Moreover, categories which fall under strategic assets such as defense, military, and command systems should not be privatised to safeguard public interest, national security, and state sovereignty.

Developing nations often fail at realising the maximum potential of privatisation due to lack of transparent privatisation process. Awarding national assets and state-owned enterprises in countries like Pakistan, Vietnam, and Zimbawe on patronage basis is a common practice. When the process is undermined by corruption the benefit that could be obtained is lost. Thus, state should have a completely transparent privatisation process with open-bidding, audit reports from credible international institutions, and utilisation of technology to ensure the process is conducted for collective welfare.

In cases where private firms are facing challenges in the intial stages, the government should look to subsidise when necessary. Private firms find it difficult to operate in developing nations at the initial stages because of red-tapism, flawed structures, and internal disruptions. In cases of necessity, governments should subside newly privatised firms at the initial stages to maintain inflation and other adverse consequences.

In sum, the case of privatising public services in developing nations presents a compelling narrative of potential and progress. While critics counter the privatisation narrative due to misperceived notions, the benefits and oppurtunity privatisation provides, refutes them. When executed with rigorous regulatory oversight, commitment, transparent procedure, and carefully designed process, privatisation emerges as a practical solution to inefficiencies which stun growth of developing nations and make them victim to corruption, bad governance, and poor service delivery. Embracing privatisation as a strategic tool underpinned by strong safeguards is essential for the evolution of developing nations into thriving and self-sustaining economies.