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STATE OWNED ENTERPRISES (SOEs) : PERSISTENT BURDEN OF PAKISTAN

12/20
"If you want to change
fruits of a tree, you
first have to change the
roots of the tree."

very good

Renowned Writer.

This statement shows that if ~~you~~ desired results are wanted action should be accordingly. SOEs have been a huge and persistent burden on the budgetary economy of Pakistan. SOEs has been long enough proved unfruitful for the country. Its continuing operational activities have allocated unsigned budget which diverted the finance of developmental projects of Pakistan. Even then it has not been successful and yet burdenize economy. This privatization of

SOEs is the only way out from crisis for Pakistan.

REASONS OF SOEs PRIVITIZATION

i) Chronic financial losses from SOEs

Pakistan steel mills (PSM) and Pakistan international Airways (PIA) has been long enough unproductive. Due to which Pakistan is facing huge financial losses. According to World Bank Report 2021, Pakistan has lost billion dollars in PIA, PSM.

ii) Allocation of unsigned Budget for keeping it (SOEs) Running.

Pakistan has used developmental budget in SOEs for its operational activities.

Asian Development Report shows Pakistan unsigned Allocation

iii) Diversion of Budget from Developmental Project to SOEs:

SOEs operational - running has hindered developmental projects of health, education and has contributed in poverty and inflation.

iv) Poor Governance of Government:

Poor Governance, corruption, mismanagement and unaccountability has made SOEs more vulnerable than before. Report By PIDE 2020.

v) Poor Public Service and distrust:

PIA has provided poor service and resulted in public dissatisfaction in PIA and

deprivation of services lead
public critique Government Policies
iv) Lack of Accountability and
Auditory Services.

Lack of Auditory services
even after transferring billions
of dollars and still unproductive
shows inefficiency of government
As shown by Transparency International

vii) Increasing Fiscal deficit and
Public Debt.

Increasing finance to SOEs
has resulted in fiscal deficit
and Public Debt. Pakistan
has been buried under
debt and decrease remittances to SOEs.

viii) Degradation of Machinery
Due to loss of work.

Machinery is being rusting out

as prolonged mismanagement and unoperation has destroyed almost 7 PIA Planes. Pakistan had 27 planes at the time of Birth which are now B only

ix) Unemployment and Salaries Generation is deteriorating.

Lack of working of PSMs and PIA has resulted in unemployment of hundreds of people alongwith Facing hurdle in generating wages for the working staff.

HOW THESE ENTERPRISES SHOULD PRIVATIZED:-

i) Proper Check System Before Privatization.

Pakistan's Government should check all the systems, of PIA and PSM before privatization. Issues must be addressed and resolved

"Governance has no business being into the business"

Narendra Modi
Indian PM

ii) Legal framework development for Privatization.

Legal framework is important for privatization. It will ensure policies of government in privatization with the firm, working of firm under conditions and checks on firm.

Successful Privatization of countries
Chile, Brunei has made agreements
In Argentina, Government made legal framework assuring proper working. Such acts will assure and build trust of public as well.

iii) Assigning Bid to Market for Privatization.

Market-based bid would be essential in privatization as market knows better the conditions.

Chile privatized their SOEs under CORFO, a governmental agency.

France and Poland, held privatization under parliament.

iv) Conducting Comprehensive Work in Assessing Loss making SOEs.

A comprehensive assessment should be done to assess the loss that which SOEs are producing and has to be privatized.

WAYS OF PRIVATIZATION:

i) Selling Shares

Sell shares to Big firms

ii) Selling un-essential Shares and holding essential Shares.

Only un-essential selling of Shares will keep Pakistan at safe hand.

iii) Shares selling to Stock exchange Market.

Shares giving in Stock exchange is a productive way of generating economy.

vi) Selling to companies or firms which can regulate System.

Big firms able to regulate SOEs should make collaboration initially with Government like India. Before full privatization.

v) Searching Economy Generating Private Enterprises.

Only those firms which can generate finance should be allowed to purchase.

CONCLUSION

Cutting it short
Privatization can help Pakistan
from budgetary burden, hence
reviving developmental projects
and enhancing economy while
reducing fiscal deficit and
public debt. Pakistan can
prosper with proper policy and decision-
making legislation alongwith
reducing burden.

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Persistent Budget deficit and Ballooning balance of Payment:

11/20

"Governance Come and go,
But Pakistan's woes —
a love/hate relationship
with IMF — remains
Constant." 99

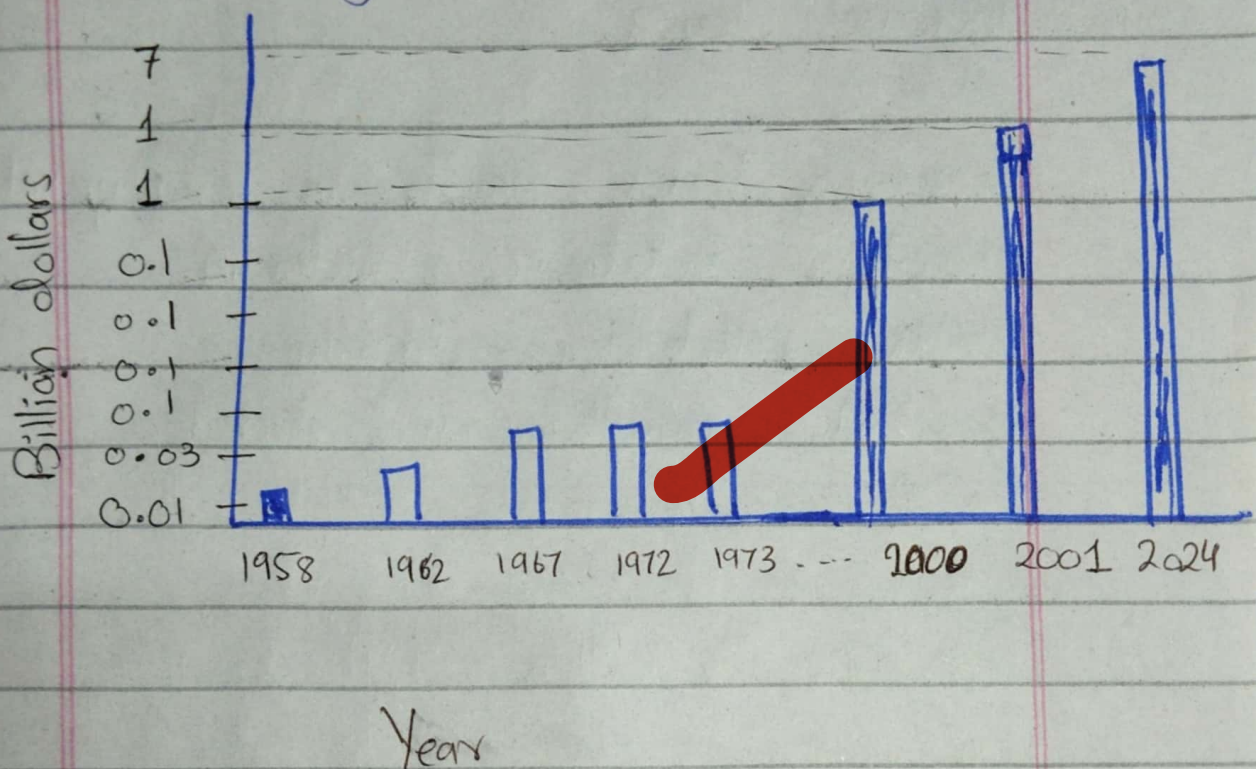
The Diplomat

Since IMF has been rooted
in Pakistan since 1958,
when Pakistan joined IMF.
Pakistan till date has made
25 arrangements with IMF
for economic Policies

HISTORICAL BACKGROUND OF IMF and PAKISTAN:-

Pakistan has taken 26 loans
from IMF out of which 13

are in bailouts for Pakistan
and Rest are the loans. These
loans are conditioned loans
with every ~~loan~~ ^{next} loan subtracting
the debt of previous loan
and using remainder / or left



CONDITIONS OF IMF & IMPACT

i) Reduce Subsidies

Reducing subsidies results in
decrease production in agriculture

ii) Reduce Public Funds

Reducing Public Funds results decrease in health services, education projects and development.

iii) Increase Taxes

Increasing Taxes results in unemployment, poverty, inflation, reduction in public purchasing, decrease economic growth and decrease GDP.

iv) One Size fits all

One size policy does not fits all and this policy ^{should} not recommended for all countries.

RECOMMENDATIONS:-

- i) Privatization of SOEs
Privatizing will reduce Fiscal deficit.

Margaret Thatcher, Ex PM of UK used
"Rationalizing the Expenditure Policy" by Privatizing
Railways, Airways and Proved successful.

ii) Supporting Entrepreneurship Programs

Pakistan could support Entrepreneurship Programs in which not only youth but all age groups can put their efforts to make huge change.

Case Study of Bangladesh

Bangladesh Textile industry is a local home based textile system governed by major head Homemakers became hub of economy generation in Bangladesh.

ii) Encouraging Local Industries to boost production

Pakistan can fund and encourage local producers to expand their business to foreign countries to bring revenue and remittance which will increase economy of Pakistan.

PTCL - Pakistan telecommunication limited has been operating in UAE and Kuwait and companies there produce finance which is brought to Pakistan thus increasing revenue.

iii) Enhancing diplomatic relations with regional bodies for trade. Enhancing diplomatic relations with neighbouring countries could increase regional cooperation and security threats which will reduce military spending thus reducing reliance on IMF for loans to secure borders which will accelerate trade. TAPI Project

Tajikistan Afghanistan Pakistan Iran Gas Pipeline.

iv) Using multinational platforms for increasing regional cooperation thus reducing IMF dependence.

Multinational platforms with powerful

state matters will increase Pakistan's strategic importance thus incorporating finance and Foreign direct Investment. SCO, OIC, BRICS like platforms can be used to increase regional diplomacies interest, increase trade as Pakistan's strategic location is the best route to hot water.

v) Collaboration with Bangladesh for trade.

Pakistan has Exported \$625 billion of goods to Bangladesh and imported almost \$27 billion goods. Pakistan exported Agriculture, and leather while receiving stitched textile material and goods. This shows that if Pakistan could enhance, it can get rid of IMF.

vi) Speed-up CPEC for Economic Integration.

Speeding up CPEC will enhance

trade across the globe from
Pak Pakistan, bringing finance
to it. This will increase
Job opportunities and work
output will generate economy
for Pakistan, which will
limit Pakistan dependence on IMF

vii) Resolving disputes to mitigate
hurdles in cooperation. while
Increasing Tourism

Pakistan by reducing militant
activities of terrorist groups
can ~~be~~ bring tourists as reported
World International Forum claims
Pakistan is the 2nd beautiful
Country in world. This will
enhance Income

Case Studies

Malaysia and Switzerland generated
\$ 57 billion and \$ 54 Billion in

2023 by tourism.

“Pakistan can become world 6th Biggest economy by reforming its structural policies”

Kaven Dally &
Goldman Sack
in “The Path to 2075”

CONCLUSION:-

Bringing discussion to an end, By bringing structural reforms Pakistan can bring FDI's, revenue and remittances and increasing support to local industries and improving foreign Policy can help in ~~in~~ reducing influence on ~~the~~ IMF.