

TEST # 3. CURRENT AFFAIRS.

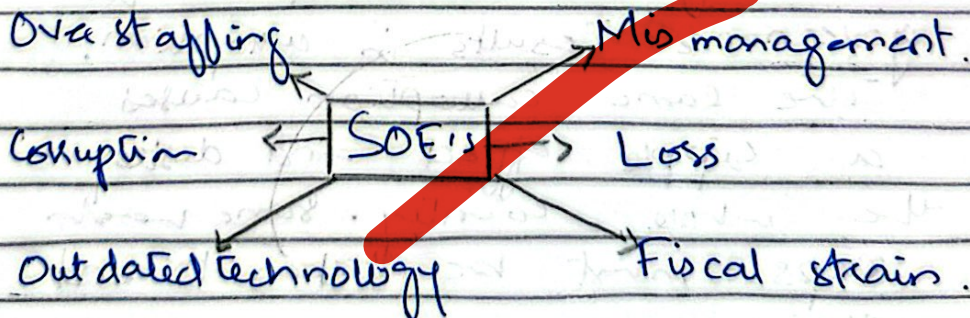
QUESTION # 1:

11/20

INTRODUCTION:

The debate of privatizing the state owned enterprises is an old debate. There are 212 total state owned enterprises in Pakistan. Out of these 85 are commercial while 83 are subsidiaries, of these 85 and 44 are non commercial (schools, trusts, universities). The 85 commercial SOEs are of different sectors like; Power, oil and gas, transportation and many others. Only Pakistan railway authority and Pakistan International Airlines incurred a loss of \$82 billion and thus a burden on Pakistan's economy.

SOE'S; A BURDEN ON ECONOMY:



1. OVER STAFFING:

Currently, these state owned enterprises have a staff of more than 450,000 employees, this is a strain on the enterprise economy. Because of the salaries, health facilities, insurance and other benefits. Because of the lack of proper check and balance and nepotism, these employees are a burden.

2. LOSS:

Many of these SOEs are not making a profit, and some are not even to reach break even. These losses are a direct burden on the budget of Pakistan.

3. CORRUPTION:

Lack of accountability and poor governance results in corruption.

The same corruption causes a ripple effect and destroy the whole country. Some harsh steps must be taken to end this.

4. MISMANAGEMENT:

Political interference and lack of merit based appointments results in mismanagement. Because the employees are based on nepotism and not on the basis of merit, they don't know how to properly run an organization.

5. OUTDATED TECHNOLOGY:

Many of the SOEs operate with obsolete technology, leading to very low productivity.

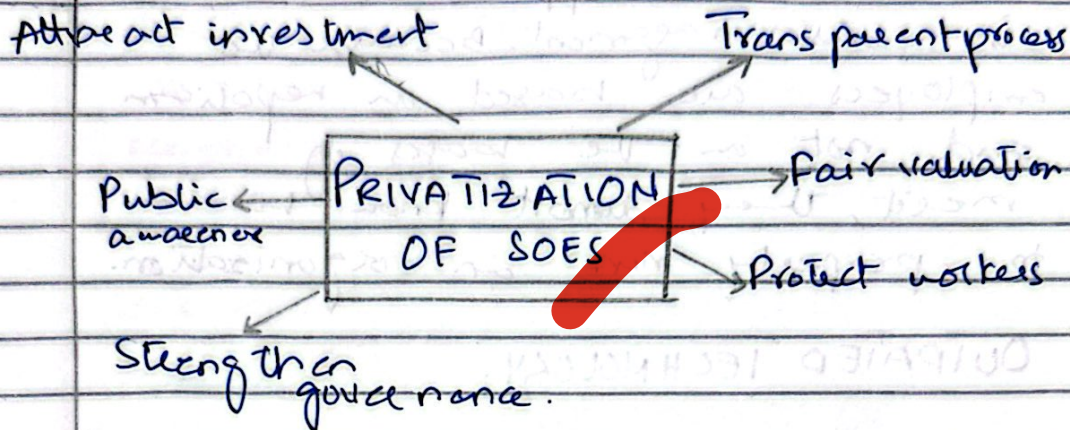
6. FISCAL STRAIN:

Losses in SOEs result in large subsidies. These subsidies drain the national resources and the budget is diverted from health and education sector to other SOEs.

PRIVATIZATION OF SOES:

The privatization of SOEs is not an easy process. In theory

it seems easy but properly executing the plan is not so simple and take the following steps.



2. FAIR VALUATION:

The process of privatizing starts with fair valuation because the SOEs are privatized through bidding. The government have to properly evaluate the price of assets (land, machinery etc) with the organization and then put a price tag. Recently the government thought of privatizing PIA (Pakistan international airlines) and put a price tag of 35 billion rupees but because of the high price got a bid of only 10 billion.

2. TRANSPARENT PROCESS:

Ensuring that the privatization is conducted transparently to avoid accusation of undervaluation or corruption.

3. PROTECT WORKERS:

SOEs are a livelihood of more than 4 lac employees. So, if the government thinks of privatization, it is also important to think about other opportunities of jobs for these employees.

4. PUBLIC AWARENESS:

Educate the public about the benefits of privatization and how it is a good thing for the country's economy to avoid opposition.

5. STRENGTHEN GOVERNANCE:

Establish regulatory bodies to oversee the process of privatization to keep a check that everything is fair.

6. ATTRACT INVESTMENT:

Create a friendly business environment to encourage domestic and foreign investment in the privatised sector.

CONCLUSION:

The SOEs have been a burden on the economy of Pakistan for a very long time. It is beneficial for Pakistan to privatize them. This will increase the standard of SOEs and also will be a relief for the economy of the country.