

# Current Affairs.

LMS ID: 39207

## Part-II

Q2

Privatization is inevitable as State Owned Enterprise have been a burden for the Budgetary economy of Pakistan. Analyse the statement and give recommendations?

### Introduction:

Pakistan has more than 200 State Owned Enterprises that include both commercial as well as non-commercial entities.

It has been facing severe economic losses due to some SOEs for past few decades.

State owned Enterprises usually benefit public and generate revenue for economy of country. In Pakistan, SOEs also benefitted general public as well as generated revenue and brought good name to the country.

However, in later years state Owned Enterprises have become a liability to national budget mainly due to poor maintenance, mismanagement, corruption, favoritism in hiring employees, excessive employment, reduced productivity and efficiency,



lack of accountability. Owing to losses,  
It is now inevitable to escape  
privatization process which could in some way  
reduce burden on national budget and  
ultimately masses.

### Inevitable Privatization of loss making SOEs

Multiple SOEs including Pakistan Air line,  
Pakistan railways, Power sector SOEs have been  
posing burden to national economy. This not  
only increase burden on public but also  
fail to provide optimal services to consumers.

For this very reason, PIA was also put on  
privatization in 2024 as well as 2025. Fortunately,

The Arif Habib led consortium won the bid  
and bought stakes for 135 \$Bn.

### Recommendations for loss-making SOEs

Loss-making SOEs that have been  
a liability to economy are often  
recommended to be privatized. In addition to  
privatization, there are certain other ways  
of reducing loss made by SOEs and  
to improve their function.



## 1) In-Time Privatization:

The government put SOEs on privatization only when losses are piled up. This delayed privatization make it difficult to get good exchange rate. Losses are also piled up and reputation of entity is also lost.

The government needs to identify loss-making SOEs in early stages, try to fix them and privatize them as early as possible. This will not only reduce the losses burden but also will help sale enterprises at high rates. <sup>Therefore,</sup> Timely Privatization could help economy.

## 2) Public-Private Partnership:

Non-commercial entities that are meant to <sup>fulfill</sup> basic necessities of masses could not be privatized fully. For instance, Health and education are non-commercial entities meant for public welfare. If any of these is privatized, it may provide temporary relief but will lead to severe long-term damages. In such cases, public private partnership could improve efficiency, effectiveness and functioning of SOEs. In these cases, government could consider privatizing management only. while



keeping private human resource accountable to resources of government. This will effectively reduce issues like ghost school, ghost teachers. It will also improve the quality of services being provided to public.

### 3) Efficient Use of SOEs Infrastructure:

SOEs loss could be reduced by efficient use of infrastructure. In case of non-commercial entities, school building could be used for skill building and vocational training institutes in evening. This will ultimately improve the conditions. Similarly, private professionals could be allowed space in public hospitals. This could also generate revenue without increasing expenditure. Moreover, the commercial entities specially production units could be improved by running them for 24 hours with three shifts. This will help utilize infrastructure as well as human resource efficiently. This will help efficient utilization of overly employed persons. This will increase productivity and ultimately reduce losses and generate profit. In addition to this, it will also utilize



energy and reduce energy crisis to some extent, reducing capacity payment of other consumers. This will collectively improve economic conditions of country.

#### 4) Incentivizing State Owned Enterprises:

Another important factor that could help save SOEs is adoption of protectionist policies. Either by incentivizing SOEs or imposing tariffs on other entities could help protect state owned enterprises specially commercial ones. This step could protect SOEs for time being in which the proper functioning could have ~~recovered~~ re-established.

#### 5) Reducing Political Interference in SOEs:

Political Interference in internal matters of SOEs is also one of major factor in decline of SOEs. Minimizing <sup>interfering</sup> and restricting politics to policy making could reduce favoritism, hiring employees on basis of personal relations, employing unskilled labours and leaders. This will increase the efficiency of entities. This will allow experts to take optimal decisions according to the conditions.



## 6) Central Monitoring Unit to improve functioning

There is a need to shift to digital monitoring systems to monitor performance of SOEs. This will inculcate sense of responsibility and accountability in employees, leading them to efficient implementation of policies.

In addition to it, CMU could allow government to monitor SOEs in real time.

Improving transparency. This will reduce biases, corruption, inefficiency, favoritism in SOEs, thereby improving SOEs function and contributing positively to economy and Public service.

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