POLICY REPORT · PAKISTAN

1. Ownership
2. Efficiency
3. Competition
4. Public value

A conditional reform case

Privatization in Pakistan: Can Private Ownership Improve Efficiency?

Ownership transfer can help—but only when competition, regulation, governance, and measurable performance make efficiency possible.

Academic and policy briefing

THE THESIS

Private ownership helps only when the rules make efficiency possible

Can private ownership improve efficiency while protecting consumers, workers, and the public interest?

YES—BUT

Ownership transfer alone is insufficient.

Competition, transparent transactions, capable regulators, and measurable performance standards determine the outcome.

REFORM LOGIC

Use privatization selectively.

Treat it as a reform tool, not a universal cure for weak public enterprises.

Source: uploaded paper.

CONTEXT · PUBLIC-SECTOR PRESSURE

Pakistan's privatization agenda began as a response to fiscal and governance pressure

1

Before reform

Political interference, weak governance, overstaffing, low productivity, poor procurement, and dependence on government support constrained SOE performance.

2

1991 · Launch

Pakistan began a broad-based privatization programme to reduce public-resource drain, improve allocation, attract investment, and encourage competition.

3

1991–2010 → 2020s

167 transactions were completed during 1991–2010, followed by only **five** in the next decade, amid political, legal, labour, valuation, and institutional obstacles.

Political, legal, labour, valuation, and institutional obstacles slowed the pace. · Source: uploaded paper.

THE MECHANISM

Four mechanisms explain why private ownership can raise efficiency

01 INCENTIVES

Owners monitor costs, managers, waste, and productive investment more closely.

02 AUTONOMY

Faster decisions can improve procurement, hiring, product choices, and restructuring.

03 DISCIPLINE

Realistic pricing, revenue collection, reporting, and debt management become more important when bailouts are less certain.

04 SERVICE

Competition can push firms toward faster delivery, better reliability, digital support, and stronger customer response.

Private ownership creates a payoff only when incentives, autonomy, discipline, and service are allowed to operate together.

Source: uploaded paper.

THE COUNTER-RISK

Efficiency gains can be lost when privatization creates a private monopoly

Competition is the hinge between value creation and value extraction.

VALUE CREATED

Private firms may bring capital, technology, professional expertise, and sharper customer focus.

RISK TRANSFERRED

Without competition, a private monopoly can raise prices, reduce service quality, restrict choice, and avoid innovation.

SOCIAL COST

Restructuring can improve productivity while causing layoffs, insecurity, and pressure on local economies unless worker protections are built in.

Source: uploaded paper.

SECTOR EVIDENCE

Pakistan's sector experience points to a conditional, not automatic, payoff

Sector	Observed opportunity	Enabler still required
Banking	Modern technology, digital services, and new products.	Inclusion and consumer protection.
Telecommunications	Connectivity, service variety, and technological modernization.	Spectrum and competition oversight.
Energy	Potentially stronger governance and distribution performance.	Theft, losses, tariffs, circular debt, and vulnerable consumers addressed in parallel.
PIA	Ownership transfer may become sustainable.	Debt restructuring, asset valuation, workforce management, and investor confidence.

The payoff depends on the sector's market structure and the reforms surrounding the transaction.

Source: uploaded paper.

REFORM SEGMENTATION

Not every state-owned enterprise belongs in the same reform bucket

A · STRATEGIC Retain public ownership where national security, critical infrastructure, or essential services require it; enforce professional boards, audits, and performance contracts.	B · COMMERCIALLY VIABLE Consider privatization, partial divestment, or public-private partnerships where markets can support competition.
C · REFORMABLE BUT LOSS-MAKING Fix debt, staffing, management, and operations before attempting a transaction.	D · NON-VIABLE Merge or liquidate enterprises with no strategic purpose and no credible path to sustainability.

Framework: strategic importance × commercial viability. · Source: uploaded paper.

TRANSACTION CREDIBILITY

Five conditions separate a credible transaction from a risky asset sale

01

Transparent process

Independent valuation, competitive bidding, public criteria, and disclosure.

02

Strong regulation

Prices, service standards, competition, and consumer protection enforced.

03

Governance reform

Better boards, reporting, controls, procurement, and accountability.

04

Social safeguards

Compensation, retraining, pension security, and targeted support.

05

Performance discipline

Track productivity, quality, investment, employment, competition, subsidies, and sustainability.

Source: uploaded paper.

POLICY SHIFT

Pakistan's policy should move from selling assets to managing outcomes

1. **Select** · Assess each enterprise by strategic importance, financial condition, and market structure before choosing a reform path.
2. **Prepare** · Resolve liabilities, pensions, legal disputes, asset ownership, and governance weaknesses before transfer.
3. **Protect** · Strengthen competition and regulators, disclose transaction details, and make worker transition support part of the deal.
4. **Use alternatives** · Deploy PPPs, concessions, management contracts, or joint ventures where full privatization is unsuitable.
5. **Review** · Run independent post-privatization evaluations rather than judging success by sale revenue alone.

THE TEST OF SUCCESS

Success should be measured by public value, not transaction speed

EFFICIENCY	SERVICE	MARKET	SOCIETY	STATE
Higher productivity, better resource allocation, stronger financial sustainability.	Reliability, quality, customer satisfaction, and wider access.	Real competition, fair pricing, innovation, and no unchecked private monopoly.	Employment outcomes, worker protections, consumer safeguards, and support for vulnerable groups.	Lower subsidies, stronger tax contributions, transparent governance, and durable institutional capacity.

Private ownership can improve efficiency—but only when reform protects competition, people, and the public interest.

Source: uploaded paper.