

Privatization for Economics Prosperity or Poverty - A Case of Pakistan

*Shaukat Amer, shaukat_amer@comsats.edu.pk
COMSATS Institute of Information Technology, Attock, Pakistan.*

Abstract

Privatization is a complex exercise with multifaceted implications and has to be conducted with a number of caveats (Khan, 2001). The present privatization process of State Owned Enterprises (SOEs) started in Pakistan in 1991 under pressure from donor agencies without formulating a rational privatization policy. This includes establishing a proper business environment, regulatory regime and development of financial markets to create potential for the purpose. The privatization process was criticized during all the governments. The capital markets in Pakistan are not so developed. So, as was done in some cases, it is better that all the wholly owned units by the government are first converted into public limited companies and then the shares are offered to a wide range of investors specially targeting overseas Pakistanis and Arab world. It is never too late, still units having real worth of billion of dollars are there to be privatized. A major shift in the privatization policy can not only facilitate the government of Pakistan to eliminate completely the foreign debt but also this will align and enhance economic activities in the shape of effective and efficient management both in public and private sectors business units. In view of bail out packages by the state, its role to own business units has been reemerged. And if at all privatization is still desirable it should be in a different mode according to the changed scenario with the ultimate aim of economic prosperity.

Introduction

The political and economic policy of privatization, broadly defined as the deliberate sale by a government of state-owned enterprises (SOEs) or assets to private economic agents, is now in use worldwide (Megginson and Netter, 2001). Privatization is a complex exercise with multifaceted implications and has to be conducted with a number of caveats (Khan, 2001). The present privatization process of state owned enterprises (SOEs) started in Pakistan in 1991 through establishment of Privatization Commission of Pakistan. In addition to other reasons, the main logic being given behind privatization in Pakistan was to get rid of huge losses by SOEs and reducing foreign debt burden. "The PC Ordinance specifies that 90 percent of privatisation proceeds will be used for debt retirement and 10 percent for poverty alleviation. Reducing the debt service burden will help strengthen the fiscal situation" (Privatization Commission of Pakistan). Unfortunately the proceeds of privatization were not credited to a separate fund created for debt retirement but were put into Federal Consolidated Fund and used for current expenditure.

Therefore, unfortunately, the very purpose of reducing the budget deficit and reduction in debt could not be met. The privatization process was criticized during all the governments through out its tenure. Firstly, all the units which were financially very strong and earning huge profits

were sold on through away prices, leaving those incurring losses. The privatization process was always subject to corruption charges. According to conservative estimate of Anti privatization Alliance Pakistan, a massive 1550 Billion Rupees (\$23.84 billions) corruption has taken place during 8 years of Musharraf-Shoukat Aziz privatization push. The anticipated fiscal impact was not realized because the proceeds of privatization were not credited to a separate Debt Retirement Fund but were put into Federal Consolidated Fund from where these were utilized for current expenditure (Khan). The PTCL was privatized on very low prices through using Pakistan Army. The privatization of Steel Mills was stopped on the interference of Supreme Court of Pakistan on this account.

The methods used for the valuation vary with the type of business and often more than one method is used in determining the value. These include the discounted cash flow method, asset valuation at book or market value, and stock market valuation. Despite using scientific methods, valuation remains more an art than a science. (Privatization Commission of Pakistan). “The sale of public assets should bring maximum prices to the government so that the budgetary deficit is reduced and resultant inflationary tendencies may subside. This is possible only if the privatization process is transparent. Transparency requires that reserve price is appropriately estimated, they are made public before the opening of the bids and no sale must be allowed below the reserve price” (Kemal, 2001).

The state enterprises were mainly financed through highly costly debt, arranged by accepting unfavorable conditions of donor agencies like IMF, World Bank and Asian development bank in addition to local debt borrowings. Further more, due to inflation and devaluation of rupee the cost of total investment along with the cost of capital automatically increased with the passage of time. Therefore, the ideal approach while fixing minimum reserve price was to take also into consideration the total cost incurred on these units till privatization. The capital markets in Pakistan are not so developed. So, it was better that all the wholly owned units by the government were first converted into public limited companies and then the shares are offered on large scale to targeted potential investors like overseas Pakistani and Arab world in addition to general public and institutional investors in Pakistan. In this aspect, the Islamic mode of finance of mudarabah and musharakah can also be used. On the one hand this will not only facilitate the privatization process to reduce foreign debt and budget deficit through getting high prices but on the other hand it will bring professional management and more investors compared to present scenario where only a few are being obliged. This will also improve transparency in these transactions. It is never too late, still units having real worth of billion of dollars can be privatized.

“The privatization programs of the last 20 years have significantly reduced the role of state-owned enterprises in the economic life of most of the countries. Most of this reduction has happened in developing countries only during the 1990s. The SOE share of “global GDP” has declined from more than ten percent in 1979 to less than six percent today” (Megginson&Netter,2001). “Since the early 1970s, as in most developing countries, Pakistan has relied on the public sector to operate virtually all infrastructure and financial services and many industrial units. The government nationalized many businesses and enlarged the areas where the

private sector was prevented from competing. In addition to a number of important industrial enterprises, the government owned and operated services in banking, energy, communications, infrastructure, and transport. The experiment proved to be a failure” (Privatization Commission of Pakistan). As per information available at Private Commission of Pakistan web site till June, 2009 167 privatization transactions has been completed which has yield an amount of Rs. 476.421billions.

In the first instance the nationalization of business units itself was a disaster for the economy of Pakistan which ended the golden era of industrialization for ever. Therefore, it is normally said that it was never took off again. In the second instance huge public money in the shape of taxes and foreign debt was wasted through irrational investment, corruption and huge losses in the state owned enterprises (SOEs). However, when these SOEs were a little bit stabilized after heavy investment in the shape of equity and huge losses an abrupt u turn was taken to privatize these through a very hasty and irrational approach which was always subject to corruption charges. It was normally said that most of these units were incurring huge losses which was a great burden on the budget. It was further argued that there was a need to curb inefficiencies and corruptions in these units. Another argument was reduction in foreign debt through sale of these units. However, privatization in the manner it was carried out leads to billion of losses through tax evasion and under payment of government utilities bills as first adverse impact. “Privatization reduces the net transfer to SOEs in the aggregate. These transfers become positive if the government actually starts collecting taxes from privatized firms” (Sheshinski & Calva, 2003)

Than the units which were earning hands sum profits were sold on through away prices without considering its earning potential and market value of the assets like real state. In such cases the management was also transferred to the private owners against making a minority payment of stake. In some cases the liabilities was also absorbed by the government. Another mistake which was repeated similar to abrupt nationalization was privatization of units without creating proper business environment. Earlier on the one hand the nationalization of private business units with a single stoke of a pen washed out the business culture of the country and on the other hand the new unprofessional management which was incompetent to run the nationalized units, destroyed the profitability of units through inefficiencies and corruption. However, the gains which were taken over a long period of time through sacrificing public tax monies in the shape of losses and increase of debt burden and improvement in the professionalism were washed out through abrupt faulty privatization without any proper home work. This badly effected the economic conditions of Pakistan. The GDP growth rate was decreased from 6 % in 1980 to around 4 % in post privatization period (Khan). As per Pakistan Economic Survey 2009-10, issued by the government of Pakistan the external debt has been increased to 52.7 billion US\$. Whereas in 1990 it was 19.2 billions US\$ and subsequently reached to 33.6 billions US\$ in 1999(Economic Survey 2006-07). “It is generally accepted that the declining trend in poverty in Pakistan during the 1970s and 1980s was reversed in the 1990s. The incidence of poverty increased from 26.6 percent in FY1993 to 32.2 percent in FY1999 (ADB). Now it is growing at a very rapid speed. “The poverty rate has jumped to 37.5% from 23.9% during the past three years. More than 64 million people, out of a 160-million population, were living below the poverty line in 2008, as

against 35.5 million people in 2005, according to the Planning Commission of Pakistan” (Haider, Feb. 2009).

Corruption, inconsistency economic policies and nonexistence of proper business environment are the main causes of worst ever present economic conditions of Pakistan which was not created in a day. Our faulty privatization policy since inception is a reflection of this situation. It is never too late and so there is an urgent need to revamp our present privatization policy. Haste should not be the feature of the policy. As a first step to the right direction first of all we should create friendly business environment which should be free from fear, corruption and red-tape to attract more and more investors. Next we should attract strategic partners like Overseas Pakistanis and Arab world on the one hand and on the other hand encourage institutional investors and individual shareholders within the country to participate more and more. This will not only diversify the base of investment but it will also create good business environment.

Presently with minority share transfer the management is entrusted to the seller from the government. This aspect of policy is also required to be improved. As in several cases the units were closed by the new management. Even in some cases the new owners snatched the retirement benefits of employees. The author as a chief accountant of a government unit which was subsequently privatized, himself very difficultly manage to prevent the owners from snatching the gratuity and provident fund amounting to Rs. 10. millions of the employees.

In nut shell the very purpose of privatizing SOEs to boost economy has been failed. Instead it has increased the miseries of people of Pakistan in the shape of drastic increase in the poverty, cost of livings and enlargement of population below the poverty line. As it is never too late it is still high time to make the privatization policy to achieve economic prosperity instead of poverty.

Literature Review

Even the more emphasized aspect of efficiency and profitable outlook of privatization in developed countries are now debatable in view of present economic and financial crises. The bail out packages by the state to check present financial and economics crises has reemerged its role in establishing and managing business enterprises. So instead of following a stereotype blind privatization policy there is a need to review it to re-determine the role of state in industrialization. If the business enterprises finally looks for the state to rescue them than at least there is no need to privatize the State Owned Enterprises. This also puts a big question mark on the performance of industries in the private sector in terms of efficiency and profitability. The present economics and financial crises also questioned the credibility of regulatory regime which is considered mandatory for privatization in particular and in general for the whole industry. Although the author considered the contemporary financial system based on interest the main cause of present financial and economics crises but the ultimate role of states to rescue the private sector also hint us to rethink about selling SOEs and atleast demands a review of open mandate of privatization. Actually the objective of a country should be sustainable economic growth and if as one of its mechanism we adopt privatization it should be towards achieving economics prosperity. I fear that the present economics and financial crises may lead us to

rethink about the reversal of present privatization policy, although practically we have started doing it indirectly through bail out of packages. This is specially a signal for developing countries like Pakistan to rethink about the privatizing its giant companies without wisdom. It is also a fact that even before the present scenario there were a lot of controversies relating to privatization of SOEs. These issues mainly relates to method, time, type, transparency, methodology, status of economy and capital markets.

The privatization is a process going on since long in allover the world. “The most important development in international corporate governance in the past 20 years has been the transfer of ownership of state-owned enterprises (SOEs) from governments to private ownership, a process called privatization by Margaret Thatcher. A large literature has studied the effects of privatization on firm performance – see, for example, the surveys by Megginson and Netter (2001), Djankov and Murrell (2002) and Denis and McConnell (2003)” (Mulherin, Netter and Stegemoller, August, 2004). Gibbon (2000) reports that the cumulative value of proceeds raised through privatization program by governments exceeded \$1 trillion sometime during the second half of 1999, and the amount of such revenue raised each year by governments is now roughly \$140 billion(Tanko). “In the last two decades, privatization policy has swept the world. Up to end 2002, governments sold assets worth US\$1,127bn in more than 3,535 privatization deals. Not surprisingly, industrialized economies got the lion’s share of total revenues (67 per cent) (Securities Data Corporation); however, developing countries have also privatized large chunks of their State-owned enterprise (SOE) sector under the pressure of international lending agencies (Mulherin, Netter and Stegemoller, August, 2004).

Normally it is claimed that privatization improve the performance of firm in terms of profitability and efficiency and thus maximization of wealth of owners can be achieved in a better way than in case of firms owned by the state. Research now supports the proposition that privately owned firms are more efficient and more profitable than otherwise-comparable state-owned firms (Megginson & Netter, 2001). However, this may be a good achievement from a business point of view but privatization for achieving only this objective is a very narrow outlook from economic point of view which should look for the whole economy and talk to maximize the wealth of the whole society. Still there is a controversy of firm performance in terms of profitability and efficiency when we talk about end results. One of the fundamental and empirically most controversial economic questions is whether private firms perform better than state-owned enterprises (SOEs) and whether privatization improves firm performance (Kocenda & Svejnar, May 2002). The empirical evidence generally concludes that privatization improves firm performance. However, while there are numerous theoretical arguments for why performance improves after privatization, empirically there is limited evidence on the sources of the gains from privatization (Mulherin, Netter and Stegemoller, August, 2004).

Parker & Kirkpatrick (May, 2005) in his article has taken a good stock of studies made on the impact of privatization and pointed out some limitations in terms of scope and methodology therein. In the context of impact of privatization in the developing countries they find that “the evidence suggests that if privatisation is to improve performance over the longer term, it needs to be complemented by policies that promote competition and effective state regulation, and that

privatization works best in developing countries when it is integrated into a broader process of structural reform”. While summarizing the results of their review of different research studies to assess the effects of privatization in developing countries they concluded that “the relationship between privatisation and performance improvement is complex and superior post-privatisation performance is not axiomatic. The evidence points to the roles of competition and regulation in performance and reveals that introducing more market competition and effective state regulation may be crucial in ensuring that economic performance improves. In addition, a wider range of institutional issues, including improving political, legal, management and financial capacity within countries will affect the impact of privatisation on performance when privatisation occurs in low-income countries. Where these capacity constraints are often acute, the result may not be the creation of a more competitive and dynamic economy, as assumed by the champions of the policy, but monopoly or imperfect markets”.

Different methods are used for privatizing SOEs depending upon type of economy, political considerations and status of financial markets. For example “policy makers in transition economies adopted radically different privatization techniques. The most popular were mass give-away privatization programs, followed by sales to insiders (employees and managers) and sales to outsiders (domestic and foreign investors). Moreover, these programs were very different from those implemented in the OECD countries where a financial infrastructure was already in place(Estrin, 1991; Laban and Wolf, 1993)” (Jelic, Briston & Aussenegg, 2003).

Bortolotti and Pinotti(2003) tested and concluded that in developed countries a political economy approach is particularly useful in understanding why and how governments privatize. They further concluded that privatization methods seem instead shaped by political preferences, with market oriented governments involved in spreading share ownership among domestic voters.

“Interestingly, while privatization is based on the premise that it will improve corporate performance and help countries grow, the effect has been surprisingly hard to identify. At the macro level, one observes that some of the fastest growing transition economies (e.g., China, Poland and Slovenia) have been among the slowest to privatize, while some of the fastest privatizers (e.g., Russia, Ukraine and the Czech Republic) experienced a decline or slow growth after privatization in the 1990s. In a cross-country aggregate study, Sachs, Zinnes and Eilat (2000) find that privatization does not by itself increase GDP growth, but they suggest that a positive effect is present when privatization is accompanied by in-depth institutional reforms” (Kocenda & Svejnar, May 2002)

India a neighboring country, although an arch rival, but has a lot of similarities with Pakistan. Regarding India, Gupta (November, 2001) reveals that sale of non-controlling shares remains the primary method of privatization and privatization program too has proceeded slowly with an average of 16 percent of equity in 44 of 258 centrally-owned firms sold in the ten years following the adoption of the privatization policy in 1991. In another SARAC Country, Sri Lanka the privatization process can be grouped in three phases. In the third phase, “Strategies such as the sale of the majority of shares to corporate investors on the basis of open tenders and competitive bidding, management contracts and employee buyouts were adopted in this stage.

This was the phase under which public utilities such as telecom and gas were privatized.(Balasooriya, Alam and Coghill, 2007). They have concluded that “the insights into the Sri Lankan situation suggest that successful implementation of privatization requires all three dimensions, i.e. ownership change, creating competition and establishing proper regulation. The change of ownership by itself is not enough”.

Bangladesh, earlier a part of Pakistan, has too a number of similarities like India. Actually all these countries some time ago were part of “ Indo Pak Sub Continent” and therefore, have analogous political, cultural and economic background. The business environment in the Bangladesh is very comparable to Pakistan and so we can learn a lot from its experience to put our privatization policy on the right track.

Regarding performance of privatization in Bangladesh Shahzad Uddin(2005) states that “the major findings are not supportive of privatization policy, indicating that the performance of privatized enterprises has not improved significantly. Without denying the economic problems of Bangladesh's public enterprises, past and present, this article questions the performance of privatized companies in terms of their declining profitability and productivity; employment conditions and trade union and individual rights; altered distributions of value added in absolute and relative terms; and serious lack of financial transparency and accountability”.

Like Bangladesh, Pakistan also needs a proper business environment where management can play a better role in achieving the objective of the business organization. The real objective should be to make all the business units both in private and public sector efficient and profitable. Simple change of ownership can not accomplish the objective. “The change in the nature of corporate governance is more crucial to achieve better performance than the change of the ownership of firms from the public sector to the private sector. When privatization takes place under suitable conditions, where the profit-motive of economic actors to be directed at productive activities instead of rent seeking and corruption it can contribute towards growth and development. However, privatization is not a sufficient condition for the improvement of firm performance. Thus, privatization should be accompanied by policies installing a market order that promotes economic growth and development in Bangladesh (Akram, 99).

“In a study which made a comparison between public industrial enterprises and private firms producing similar goods, the conclusion was that changing the ownership of industry from public to private is neither a necessary nor a sufficient condition for more efficient operation of specific industrial enterprises. However, on the other hand it is often correctly claimed that due to political interference and over-staffing, the efficiency of the public sector units is reduced”(Akhtar). In this respect the worst part of story in Pakistan is closure of many units after privatization.

Due to a lot of similarities we think that Pakistan should had taken the benefit of experience of India, Bangladesh and Sri Lanka. We should have adopted a thoughtful slow pace privatization policy like the India had the feature of transfer of non-controlling shares. Our country should have adopted a policy to inject fresh investment in new ventures which have created healthy

competition among the SOEs and newly established business units. This may have created the similar industrial scenario as we had before 1970. As a second step if the situation had demanded, the uncontrolled shares of SOEs may have been sold to pay back our foreign debts.

There have been two tides of privatization in Pakistan. The first tide is from 1992 to 1994 and the second tide from July 2001 to October 15, 2002 (Khan). While describing the rationale and policy, the Privatization Commission of Pakistan has described the following characteristics of SOEs :

- Mismanagement and overstaffing
- Inappropriate and costly investments
- Poor quality and coverage of services
- High debt and fiscal losses
- Production and profits that were well below their potential

This was said to be the background behind starting privatization in Pakistan. “Whereas in the initial stages of its establishment Privatization Commission did not spell out the objectives of privatization, it has recently come up with a very clear Mission Statement contained in the Privatization in Pakistan (1998)” (Kemal) The statement as quoted says:

“Privatization is envisaged to foster competition, ensuring greater capital investment, competitiveness, and modernisation, resulting in enhancement of employment and provision of improved quality of products and services to the consumers and reduction in the fiscal burden”.

The PC Ordinance 2000 specifies the following modes of privatization (PC Annual Report 2007):

- a). Sales of Assets and business;
- b). Sales of Shares through public auction or tender;
- c). Public offering of shares through a stock exchange;
- d) Management or employee buyout by management or employees of state owned enterprise;
- e) Lease , management or concession contracts : or
- f) Any other method as may be prescribed.

The latest available annual report 07 of Privatization Commission of Pakistan Mission Statement States:

Privatization in an Open,
Fair and Transparent Manner,
for the Benefit of the People of Pakistan,
in the Right way,
to the Right people,
at the Right price

However, what have done so far is not compatible with such statements. Like in case of other developing countries the privatization of units in Pakistan is subject of severe criticism since inception. “There has been massive corruption during the eight years of Musharraf-Shoukat

power period from 1999 until 2007. It is very clear that the privatization process has not been proved as a key to economic development as was claimed by the government, but instead a total disaster for the economy (Anti privatization Alliance Pakistan). Unless developing countries embrace a corporate governance perspective, privatization is unlikely to provide the benefits of improved performance with accountability (Dyck, 2001).

Another argument for privatization in Pakistan was utilization of 90 % of sale proceed to reduce debts as stipulated in Privatization Ordinance. The anticipated fiscal impact was not realized because the proceeds of privatization were not credited to a separate Debt Retirement Fund but were put into Federal Consolidated Fund from where these were utilized for current expenditure (Khan). Total public debt increased by Rs 1087 billion in the outgoing fiscal year 2007-08, reaching a total outstanding amount of Rs 5901 billion; an increase of 22.6 percent in nominal terms. Total public debt has been growing at an average of 12 percent per year since the fiscal year 1999-2000 (Debt Policy Statement, 2008-09). In the same statement it is stated that Pakistan's External Debt and Liabilities (EDL) stood at US\$ 37.9 billion or 51.7 percent of GDP in end June 2000 and rose to US\$ 40.5 billion in absolute terms but declined to 28.1 percent of GDP by end June 2007 . In other words, Pakistan's EDL witnessed a decline of 23.6 percentage points of GDP in seven years. Low fiscal and current account deficits in conjunction with exchange rate stability played a crucial role in reducing the country's debt burden

The privatization in developing countries was carried out under pressure from International donor agencies (Mulherin, Netter and Stegemoller, August, 2004, Bortolotti & Pinotti, June, 2003). This also true in case of Pakistan. So this is it self a big question mark. The role of international donor agencies in terms of their contribution in the development of developing countries was always remained debatable. This is also true in case of pursuing privatization in the developing countries. The privatization process was also dictated by the donor agencies without seeing ground realities. Under the pressure the SOEs were privatized with out creating favorable business environment and strengthening basic infrastructure of financial markets and regulatory regime. For example the Security and Exchange Commission of Pakistan (SECP) was established with the financial assistance of Asian Development Bank in 1999, taking over the role of Corporate Law Authority. The SECP is responsible to regulate non-banking companies in Pakistan. Similarly the State Bank of Pakistan, responsible for regulating banking companies was significantly restructured in 2002. Likewise the other regulatory like National Electric Power Regulatory Authority (NEPRA), Oil and Gas Regulatory Authority (OGRA) and Pakistan Telecommunication Authority (PTA) were established much after starting the privatization of SOEs in Pakistan. It is just like putting horse before the cart. However, there is still a big question mark on the independence issue of these regulatory authorities.

Findings

The privatization policy formulated in developed countries can not be adopted in the developing country due to limited, unstable, unstructured and less developed financial markets. The same is the position in the case of Pakistan. Pakistan should learn from the experiences of India, Bangladesh, Sri Lanka and China. Pakistan should have followed China's example and instead

of undertaking sweeping tides of privatization conducted in a non-transparent manner, detrimental to national interest, we should have rather lured private investors along with foreign investors to set up new industry which would have gradually reduced the size of public sector enterprises (Akhtar) Based on the experiences of these countries the following steps are proposed to revamp the privatization policy of Pakistan.

- 1- Creation of a Proper Business Environment. Stable economic policies free from all type of corruption and fear and preferably one window operation for solving all the problems of industries under one roof as we have witnessed the establishment of Private Power and Infrastructure Board in case of private power policy.
- 2- Development of Financial Markets specially establishment of Islamic financial institutions should be encouraged and culture of sanctioning politically motivated loan and subsequent writing of loans should be stopped. Even in huge claims of achieving high degree of governance in Musharaf era loans billion of rupees were written off.
- 3-Making SOEs Efficient and Profitable. Highly capable result oriented professional management instead of civil servants should be inducted to manage these units.
- 4- Attracting Foreign Investment Focusing on overseas Pakistanis and Arab World to invest capital on new business units instead of old ones. This will bring healthy competition between SOEs and new business units. For example it was better that instead of privatizing PTCL, strategic foreign investors had been encouraged to establish another similar telecommunication company.
- 5- Encouraging Individual and Institutional Shareholders to invest in the converted SOEs into Public Ltd. Companies instead of outright sale of units or transfer of management to Family Owned Large groups.
- 6-Improving Corporate Governance Environment specially bringing high level of transparency to the actual process of privatization.
- 7- Strengthening the regulatory frame work. The regulating agencies like SBP, SECP, NEPRA and OGRA should be made independent in true sense.
- 8- The sale proceed should be utilized in the manner as stipulated in the PC Ordinance.
- 9-Keeping in view total investments made on SOEs while setting reserve price. A huge price in the shape of investment and losses was paid on these units which although may not be recovered fully, though may be kept in view at least as reference at the time of setting reserve price for privatizing.
- 10- Revaluation of Assets according to current market prices of assets. While revaluation of assets current market value of assets especially infrastructure and real state must be properly evaluated.

“The empirical analysis shows that the decision to privatize and the choice of privatisation method appear to be influenced by the governing political majority and public-sector budget constraints, while the success of privatisation in terms of revenues and stakes sold requires suitable legal institutions and developed capital markets (Bortolotti, Fantini and Siniscalco, March, 2001). The factors that unambiguously affects the three criteria are existence of supporting market institutions, overall quality of governance, non-agrarian economy, technical assistance from foreign donors, small public sector, fiscal stability, and right wing, new, cohesive, government. It is a combination of all these factors acting together that facilitate the

privatization decisions and enhance the gains from divestiture. After two decades of privatization efforts around the world, it is time to reflect and understand how and why privatization occurred (Banerjee & Munger, 2002).

In nutshell as a prerequisite to successful privatization a proper business environment consist of developed financial markets and truly independent regulating institutions are needed with the vision to spread the base of investment to attract more and more local and foreign investors to establish units in the first instance and subsequent thoughtful privatization of SOEs in most profitable manner as and when required. This will not only create a healthy competition between SOEs and privately owned units but will also leads to economics prosperity instead of poverty.

Conclusion

There is a need that we change our outlook towards our economics priorities and so to set our direction which takes us to the economics prosperity of the whole world society instead of few groups of people or countries. According to recent news report “New estimates for the year released by the World Bank on Friday suggest that lower economic growth rates will push 46 million more people to \$1.25 a day than was expected prior to the spreading global economic crisis. Another 53 million people will stay trapped on less than \$2 a day in addition to the 130 to 155 million pushed into poverty in 2008 because of soaring food and fuel prices (Dawn, Feb. 2009). “People who celebrate technology say it has brought us an improved standard of living, which means greater speed, greater choice, greater leisure, and greater luxury. None of these benefits informs us about human satisfaction, happiness, security, or the ability to sustain life on earth” (Jerry Mander).

Likewise of other economic strategies, the character of our privatization policy should be privatization for economics prosperity and not for poverty. It is never too late. In a meeting of Pakistan Cabinet Committee on Privatization a major shift in its privatization policy from strategic sales to selling of 26 % shares of 21 state-owned enterprises in lines with the concept of “public-private partnership” has been hinted . The policy will ensure transparency and take necessary safeguards to maximise documentation in line with the Privatization Commission’s Ordinance (Dawn 18 Feb.,2009). In the same news report the Privatization Minister of Pakistan was quoted as saying “We will pursue our privatization policy and it is not linked to generation of proceeds but with improving performance of state entities”.

However, it will take long time to see that whether the revamped privatization policy is implemented in its true spirit as being claimed. The most important thing which is needed is a proper business environment including developed financial markets conducive to privatization. Secondly existence of an efficient, effective and independent regulatory regime is also mandatory for implementing privatization policy. Thirdly the actual privatization process should be free from corruption and carried out in a most transparent manner. Unfortunately so for since inception of privatization process in Pakistan this factor is lacking.

Most importantly there is a big question mark that whether we need privatization in the present scenario of bail out packages by the state to the privately owned business units to rescue them. This pushes us to recall the earlier direct role of states to set up more and more business units in the public sector as a part of their economics and industrial policy. Until the 1980s international policy tended to favor state planning and state ownership to lever investment and capital accumulation as part of economic development (Parker & Kirkpatrick May, 2005). Then the time was came to pursue privatization. Some time ago we have turned ourselves to public private partnership. Now a spell of bail out packages has reemerged the role of states as owners in the business enterprises. This is a wish full circle and some strong forces are running it to keep intact to accomplish their vested interests. Like human every country is a sovereign state and should not be dictated for accomplishment of objectives of others. So the policies of a country, including Pakistan, should be focused on the economic prosperity of its people and not for interests of aliens.

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