

Privatisation and Reform Programme of Public Sector Enterprises in Pakistan 1960–2004

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Abstract

The aim of this paper is to analyse the privatisation process of public sector enterprises in Pakistan during the period from 1960 to 2004. The paper further examines the performance improvement of public sector enterprises and finally develops a reform programme for future sustainability of these PSEs. The major conclusion drawn from this paper were: - During the period of 1952 – 1960, PIDC established more than 100 industrial enterprises, majority of these enterprises were in East Pakistan set up as joint ventures in Jute Industry. In the period of 1972 – 1977, the government invested in finance, insurance, transportation, communication and energy. As a result of restructuring of auto sector in the 1980s, sales in PASCO during the nine years period increased from RS2395million, in 1980 – 81 to RS10830million, in 1988 – 89. From 1990 – 1998, 188 public enterprises were identified out of them, 67 enterprises were privatised. Finally, in 2004, Pakistan had completed/approved 139 transactions at gross proceeds of RS134.4billion, of this amount RS33.1billion was received in March 2004. An agenda for performance improvement should include autonomy, organisational structure and efficiency of government enterprise. Similarly, the reform programme for sustainability of public sector enterprises should also include general policy environment, government enterprise relationship and management of industrial enterprises.

Keywords: privatisation, reform programme, public sector enterprises

1. Introduction

Like most reform Asian countries Pakistan also recognised the importance of privatisation in the restructuring of its economy. The country embarked on a privatisation programme which is part of a broader economic reform and liberalisation programme designed to restore macroeconomic stability, achieve faster sustainable growth, raise living standards and reduce poverty (Chaudhry 2010).

The reform programme was also aim at promoting greater private sector participation in economic activity and included maintenance of sound macro-economic policies, deregulation with emphasis on power, telecommunications and the petroleum sector. In the 1950s and 1960s, the dominant view in development economics was that the market based system failed to work efficiently in poor countries.

There was a need for active government intervention and participation to offset market failures. As a result, the [public sector expanded tremendously during the period 1950 – 1980. However, interventionist policies restrictive regulations and state involvement in economic activities failed to achieve low unemployment, less inflation and high economic growth (Anka, 1992).

In the recent years, there has been a growing belief that developing countries have over extended the role of public sector in the economy. This has had a negative impact on the overall macro-economic stability of developing countries which has consistently resulted in large sector deficit, high level of inflation and balance of payment problems (Zaidi, 2005).

In order to tackle these problems, an increasingly number of developing countries has implemented major

structural adjustment programmes which have substantial elements of privatisation. Imposition of privatisation on the development agenda is largely due to external pressures from international aid donors and financial institutions such as World Bank and IMF (Asad, 1995).

It is important to note that privatisation has achieved relatively limited success in most developing countries. Fears of outside dominance, underdeveloped capital markets inflexibility in public finance, workforce opposition and a private sector highly dependent on state for future subsidies and contracts are common constraints (Naqvi and Kemal, 1991).

Privatisation programmes require a great amount of careful advance planning from both political and economic stand points. It is essential that privatisation ought to be limited specifically in the use of competition as an instrument for achieving economic efficiency. The most difficult hurdle to successful privatisation policy is one of determining the correct valuation of assets.

Every attempt has to be made to avoid the public perception that assets were under valued and sold too cheaply. After receiving the assets valuation, the government faces difficult problem of balancing the necessity to maximise proceeds, particularly in view of the sensitivities in this regard with the economic, political and social objectives that are driving the privatisation process (Mendim, 1991).

1.1 Problem Statement

The major reasons why the privatisation process is proceeding in Pakistan is that there is a strong believe that public sector enterprises are inefficient, costly to run, poor performances and a major drain on the state exchequer. The argument goes that the state should no longer subsidise loss making enterprises and they should be either sold to private sector to run and manage or closed down altogether. Today, the conventional wisdom is that government has good intentions but more need to be done. So in many ways, the existence of public sector industries is itself in question and with the increased pace of privatisation taking place in most countries including Pakistan. It is possible in some years to come many PSEs will be privatised.

1.2 Objectives

The objectives of this paper were:

- To present a critical appraisal of the privatisation process in Pakistan.
- Analyse privatisation process from 1960 to 1980, 1990 to 1988 and 2000 – 2004.
- Examine performance improvement of public sector enterprises.
- Develop a reform programme for public sector enterprises.
- Highlight constraints in the privatisation process.

2. Critical Appraisal of Privatisation Process

S. N. H. Naqvi and A. R. Kemal critically examine the concept of privatisation and show how the process resulted in serious negative consequences. The two scholars share the view that public and private investments are essentially complimentary to nature and that while private investment holds the greatest promise in areas where productive efficiency matters, its success depends on well thought out programme of public investment which first provides an efficient infrastructure.

It is essential that privatisation should take place where it has the most promise of adding to productive efficiency and growth considerations. And in this context, there is enough empirical evidence in Pakistan to show that changing the locus of ownership from public to private is neither a necessary nor a sufficient condition for achieving any of the avowed goals of privatisation even on the theoretical grounds. Other objectives for going private e.g. mobilising financial resources for the government had better be achieved by other more effective policy instruments.

Indeed the real word experience suggest that across the board privatisation taking place most on ideological grounds may prove not only self defeating but positively counter productive. Thus profitable companies can as well be given over to their not too worthy exacerbating the degree of concentration in the economy and the apparently defaulting enterprises may in fact be given away to friends of the regime thus increasing the element of crony capitalism.

Aftab Ahmed Khan identifies some of the reasons why there has been so much criticism of the privatisation programme. An imperative for the success of privatisation is the transparency of the process to avoid people's suspicion and ensures their support. All aspect of the privatisation exercise must be out in the open and there should be no suspicion of political patronage, corruption, favouritism or cronyism in implementing

it. Unfortunately, this important dimension of privatisation has not been given due attention in some privatisation transaction and this has resulted in casting doubts on the integrity of those responsible for deciding the choice of parties in the cases. Past trends suggest however that little changes to be expected in the manner of the privatisation process in future.

2.1 Privatisation Process 1960s to 1980s

Prior to 1972, the main public sector industries were managed by Pakistan Industrial development Corporation (PIDC) which was created in 1952 with the aim of accelerating the rate of industrial development in the country. PIDC was to transfer its projects to private entrepreneurs once they become profitable in order to promote and strengthen the private sector. It was also expected to promote a sense of regional balance between all the Provinces in Pakistan (Zaidi, 2005).

In the period 1972 – 77, the role of the public sector was considerably expanded and by 1977 the government was heavily involved in finance and insurance, manufacturing, transportation and communication and energy. It had also entered the construction, trade and commerce, mining and agricultural sectors. The Zia-ul-Haq regime did not increase the role of the government by establishing new public enterprises and much of the public sector investment during the early years of the Zia period went into ongoing projects (Mehdi, 1991).

Although very little was privatised under the Zia government, the role of the public sector began to diminish as the private sector was chosen as the leading vehicle to bring about economic and industrial development. After 1991, the contribution of public sector enterprises was further minimised with the launch of the privatisation programme, see Table 1.

Table 1. Share of the public sector in various activities – 1960-1980

Various Activities	1960-61	1965-66	1970-71	1974-75	1984-85	1987-88
Agriculture	-	-	-	-	-	-
Forestry	-	-	-	-	-	-
Fishing	0.0	0.0	0.0	0.2	-	-
Mining	3.7	19.1	24.90	10.1	93.0	93.0
Manufacturing	2.1	2.4	2.4	8.1	11.1	10.1
Electricity and Power	85.0	98.2	65.0	77.5	100.0	100.0
Construction	0.0	0.0	0.0	0.0	0.5	0.4
Trade	0.0	0.1	0.4	7.9	1.3	30.2
Transport and Communication	62.3	44.1	34.2	33.9	30.1	30.3
Finance	Na	Na	14.6	67.5	95.2	95.2
Others	0.0	0.0	0.0	0.0	0.1	1.6
Share in GDP	4.9	4.8	4.2	7.7	10.6	11.6
Share in Non Agric GDP	9.3	7.9	6.6	11.5	14.3	13.7

Source: Naqv SNH and Kemal A.R. (1991), the Privatisation of Public Industrial Enterprises in Pakistan, Pakistan Development Review, Vol. 31, No.2, 1991, pp 111.

Given the abhorrence of the regimes after Zulfikar Ali Bhutto towards the public sector enterprises and the desire to get rid of these units by different governments since 1991, one might have the impression that the State was burdened by this loss, making inefficient units and wanted to rid itself of them as soon as possible and at any price. It is important to note that the evaluations under taken of the public sector at different times since 1977 paint a very different picture.

Table 2. Output employment and productivity indices of public sector industries 1972–1982

Public Sector Industries	1972-7 3	1973-7 4	1974-7 5	1975-7 6	1976-7 7	1977-7 8	1978-7 9	1979-8 0	1980-8 1	1981-8 2
Production Value	100	131	160	167	162	117	126	166	169	192
Employment	100	119	136	14	158	100	102	109	121	126
Labour Productivity	100	111	118	116	102	117	124	152	140	152
Productivity Indices	100	120	123	120	Na	-	-	-	-	-

Source: Annual Report of Public Sector Industries, Federal Bureau of Statistics, Government of Pakistan, Islamabad, 1981 – 82.

Viqar A. and R. Amjad management of Pakistan's Economy 1947 – 82, Oxford University Press, Karachi, 1984.

Table 2 shows the important indices of the public sector industries compared to the overall manufacturing sector in the period 1972 – 82. While the public sector industries did fairly well under the Bhutto government, they performed even better under the more open and liberal economic regime of Zia.

There was a significant increase in profits and productivity by State owned enterprises in the early Zia period possibly due to a pro-investment and growth-friendly overall economic political environment and encouraging economic growth. A large scale privatisation effort was launched by the Nawaz Sharif government in November 1990. Disinvestment and Deregulation Committee was established to identify the enterprises to be privatised and to make recommendation on how this process should take place.

The above committee established the principle that government should completely retire from the production of industrial goods and identified 109 industrial units that should be privatised at the earliest and for the nationalised Commercial banks which had 88 percent of total deposits with them, see Table 3.

Table 3. Privatisation of state owned enterprises

Enterprises	Number of Units of which				Value of Unit Sold (RSM)	
	Total	Sale	Sold	Mgt. Transfer	Total	Received
Commercial Banks	5	4	2	2	5,122	2,135
Industrial Units	124	105	67	47	8,219	3,896
Automobiles	15	10	8	5	1,043	583
Cement	15	15	11	8	4,658	2,253
Chemical and Ceramics	14	12	5	5	1,030	431
Engineering	12	9	4	4	141	58
Fertiliser	7	5	2	1	457	183
Ghee and Vegetable	23	23	15	9	626	250
Roti Plants	17	17	13	11	99	60
Rice Mills	8	8	7	4	165	78
Miscellaneous	13	6	2	0	0	0
Total	129	109	68	49	13,341	6,031

Source: World Bank Pakistan Country Economic Memorandum, FY93 Progress under the Adjustment Programme Report, No. 115900 – PAK Washington, 1993, P.51.

The committee was dissolved and replaced by a Privatisation Commission in January 1991, which was to supervise the privatisation process. In the early phase of privatisation, the programme was unsuccessful with few bidders for the targeted firms. Since privatisation was a cornerstone of the government's economic policy, the

government revised the strategy and accelerated the process.

2.2 Restructuring of Automobile Sector in the 1980s

During the 1980s an attempt of privatisation and restructuring was carried out by Pakistan Automobile Corporation (PACO), the Automobile Corporation basically had three categories of activities:

- (a) Vehicle assembly cum manufacturing
- (b) Tractors assembly cum manufacturing and
- (c) Manufacturing of various components of automobile

PACO made a number of experiments through restructuring of some units pruning of surplus labour and reorganising some enterprises and transfer of management of some into private hands. The major measures were as follows:

- (a) One truck manufacturing unit was transferred to the private management while government maintained the majority share holding.
- (b) Transfer of management of one tractor manufacturing Cum-Assembly Unit. The majority ownership remained in the hands of public sector.
- (c) Restructuring of two Units and developing Joint ventures for manufacturing of Suzuki motor cars and motorcycles.
- (d) Transferring the management of domestic appliances transfer of manufacturer of air-conditioning and refrigerators to private sector management while keeping the majority share holdings.
- (e) Transferring of shares of franchise of a truck manufacture and passenger car and four wheelers to two different private parties.
- (f) Retrenchment of surplus labour from one truck manufacturing unit and one fabrication unit.
- (g) Developing of two main facilities for manufacturing of components for the vehicle industry namely Baluchistan wheels and Bolan castings.

As a result of the above mentioned experience, the sales in PACO during the past 9 years have increased from RS2395million in 1980-81 to RS10830million in 1988-89; a growth of 2.3% profit has increased from RS73million in 1980-81 to RS367million in 1988-89, a growth rate of 2.2%. The return on assets during this period has increased from 3.3% to 5.9%.

3. Privatisation Process 1990 to 1998

During the period 1990 to 1998, 188 public enterprises were identified for privatisation out of these 67 enterprises have been privatised and transferred to the private sector. The buyers include 9 employee groups, 5 foreign firms and 8 ex-owners, see Table 4 for details.

Table 4. Privatisation process 1990 to 1998

Various Activities	1991 – 94	1995 – 96	1996 - 97	1997 – 98	Total
Automobile	7	-	-	-	7
Cement	9	2	-	-	11
Chemicals	7	5	-	-	12
Fertiliser	1	-	-	-	1
Engineering	5	2	-	-	7
Ghee	16	-	-	-	16
Rice	7	1	-	-	8
Roti Plants	12	-	-	1	13
Banks	2	-	2	1	5
Power	-	1	-	-	1
Hotels and Resorts	-	-	-	8	8
Miscellaneous	4	2	-	-	6
Total	70	13	2	10	95

Source: Pakistan Economic Survey, Government of Pakistan, Islamabad 1997 – 1998.

3.1 Implementation of Privatisation Programme in the Year 2002 to 2004

Salient features of privatisation of state owned enterprises aimed at amassing US\$3billion, the government is committed to the privatisation of sizeable assets in the telecommunications, banking, oil and gas, power and industrial sector. Details of State own enterprises already privatised are presented in Table 5.

Table 5. Transaction in respect of privatisation programme completed in 2002

Company	Type of Sale	Target Bidding Date
Oil and Gas	Envisage	-
Oil and Gas Development Corporation	51% Shares	4 th Quarter 2002
Pakistan State Oil	51% Shares	3 rd Quarter 2002
Pakistan Petroleum	51% Shares	1 st Quarter 2003
Sai Northern Gas Pipeline	51% Shares	2003
Sai Southern Gas Corporation	51% Shares	2003
Power and Telecommunication		
Pakistan Telecommunication	25% Shares	4 th Quarter 2002
Karachi elect Supply	74% Shares	3 rd Quarter 2002
Faisalabad Elect Supply	26 – 51% Sales	4 th Quarter 2002
GencoJamshoro	26 – 51% Sales	
Banking & Capital Market		
United Bank Limited	51% Strategic Sale	June 2002
Allied Bank Limited	49% Block Sale	3 rd Quarter 2002
Habib Bank Limited	5 – 10% IPO	4 th quarter 2002
Habib Bank Limited	51% Strategic Sale	4 th Quarter 2002
Investment Corporation of Pakistan	Right to manage closeended funds	July 2002

Source: Pakistan Economic Survey, Government of Pakistan, Islamabad 2001 – 2002. Table 3.13, P. 42.

3.2 Achievements Recorded in 2004

At the end of 2004, Pakistan had completed or approved 139 transactions at gross proceeds of RS134.4billion of this amount of RS33.1billion was received during July – March 2003 – 2004 from the sale of government's shareholding in OGDCL, NBP, POL, ARI, D.G. Khan Cement, SSGC, Thatta Cement, 51% GOP Stake in HBL, Associated Cement, Rohri and 10% of the gross proceeds received so far were transferred to the Federal Government, 18% were returned to companies on whose behalf shares were sold, 6% were used for restructuring expenses associated largely with golden handshakes and rehabilitation and 5% were used for PC privatisation on related expenditures. Progress on privatisation is documented in Table 6.

Table 6. Number of privatised transaction 2003 - 2004

Sector	1991 – 2002		2002 – 2003		2003 – 2004		To Date	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Banking	4	5,644	2	12,970	1	22,409	7	41,023
Capital Market	3	1,300	8	8,421	3	8,759	14	19,480
Energy	12	20,898	-	5	-	-	12	20,903
Telecommunication	2	30,558	-	-	-	-	2	30,558
Automobile	7	1,102	-	-	-	-	7	1,102
Cement	11	7,790	-	-	2	969	13	8,759
Chemical/Fertiliser	16	9,383	1	815	1	6	16	10,204
Engineering	7	187	-	-	-	-	7	187
Gee Mills	21	768	-	-	-	-	21	768
Rice/Roti Plants	23	326	-	-	-	-	23	326
Textile	2	87	-	-	-	-	2	87
Newspapers	5	270	-	-	-	-	5	270
Tourism	3	594	-	-	-	-	3	594
Others	5	154	-	-	-	-	5	154
Total	121	79,061	11	22,211	7	33,143	139	134,415

Source: Annual Report of Privatisation Commission, Government of Pakistan, Islamabad, 2003 – 20.

A new feature of the privatisation is offering shares to the general public through stock markets which has been

enthusiastically received by the general public. For example, in the case of OGDCL 97,000 applicants purchased shares whose subsequent value increased over RS8 billion. The response SSGC offering has been even greater with over a quarter million small applicants receiving share offering through a transparent balloting.

4. Performance Improvement of Public Sector Enterprises

4.1 Performance Criteria

The reason for a valid performance evaluation system for public enterprises in Pakistan is necessary within this system a criterion has to be formulated, this may be private targets or public profit, capacity utilisation or by unit of labour productivity. It may be the number of working hours per every employee, this will also depend on individual industry. There are numerous other constraints involved in performance evaluation, and setting of the point in the scale requires a great deal of care and attention and the source of information that will assist in setting these criterion values include:

- Comparisons with similar firms
- Industry trends.
- Comparisons with results of previous years
- Professional judgement by controlling organs (Ministry)
- Professional judgement at enterprise level

4.2 Determinants of Performance

(a) Units which have least political and economic problems such as least number of labours affected maximum potential of efficiency enhancement will need to be identified. In other words, the priority has to be based on a strategic privatisation (Ahmed and Laporte, 1989).

(b) Therefore certain units which are model for the specific industry because of their quality which is being provided by public sector enterprises (may be at higher cost). These units may need to be kept within public sector at least in the short term.

(c) An effective improvement programme for these public enterprises through an improved organisational arrangement for their control has to be ensured otherwise the transfer of inefficiency of some of these public sector enterprises will deter the efficiency enhancement attempt of the privatised units (Anka, 1992).

(d) Privatisation is a comprehensive and a complete exercise. It will require a number of issues to be dealt with, some of which are: - (i) Evaluation of assets (ii) Selection of the method of privatisation (i.e. floating of shares to public direct negotiations with the selected bidders and or leasing the assets etc), this will need a training of specialists in selected fields.

(e) Development of a programme of rehabilitation of surplus labour is a critical issue in the privatisation exercise. An effective programme for manpower development by way of re-training, development of pool for self employment is critical for an effective privatisation programme (Sharley, 1989).

4.3 Agenda for Performance Improvement

Public Sector Enterprises (PSE) in Pakistan have emerged as important organisational devices for the management of the economy. These enterprises play a very good role in finance and insurance, electricity and gas, transport and communications sector and they enjoy an important position in manufacturing mining, and quarrying sections (Jamali and Anka, 2011).

In order to attain the desired objectives of improving the operational efficiency of these enterprises and thereby their resource generation an agenda for reform, has to be worked out. In reforming (PSE), we have to look at three levels (i) Government policy environment (ii) Government enterprise relationship and (iii) Enterprise levels. Any agenda for reforming PSE has to look into and deal with all the three levels. The first and third levels i.e. the Policy environment and enterprise level shall require reforms which on the one hand create conducive and competitive environment for an individual PSE to improve performance by reviewing policies such as pricing, fiscal and resource allocation policies etc (Abbas and Malik, 2010).

On one hand, a restructuring exercise has to be carried out to develop these enterprises into a viable commercial entity. An agenda will also focus on efficient management enterprises relationship. This shall require development of institutions and management systems which would improve the quality of controls by the government and increase the autonomy of PSE Managers, so that they are motivated to attain the desired results (Looney and Frederickson, 2007).

In working out the details of the government enterprises relationship, three elements have to be reviewed and improvements have to be made.

- (a) **Autonomy** – Arrangements have to be made to provide free hand to the managers improving performance, and demonstrating managerial skills to show the results.
- (b) **Organisation Structure** – The key element in this is to establish efficient and effective focal point or points at government level for control of PSEs on professional lines.
- (c) **Efficiency of Government Enterprises Relationship** – shall be dependent on establishment of management system that assist controllers to improve the quality control of PSEs.

5. Reforms in Public Sector Enterprises (PSE)

In preparing an agenda for improving the performance of PSE, it has to be seen in the conceptual frame work of PSE management. In this regard, a structural approach needs to be developed by looking at the levels.

- (a) **Level I – General Policy Environment** – This refers to a number of factors such as government policies towards pricing, labours credit and investment.
- (b) **Level II – Government Enterprises Relationships** – This refers to the specific relations of PE sub-system with the main government administrative system. It requires a comprehensive review of all aspects of PSE management control system as information system apparatus for PSEs etc.
- (c) **Level III – Management of Industrial Enterprises** – This refers to internal enterprises management such as internal control system e.g. budgeting and accounting practices, product lines, marketing etc. It also addresses the issue of implementation of restructuring and privatisation policy.

The first and third levels address to the general micro-economic environment of enterprises both public and private. The second level i.e. government enterprise relationship however are specific to PSE management and the peculiar nature of private ownership which requires specific treatment system, for creating a healthy relationship between the system and sub system.

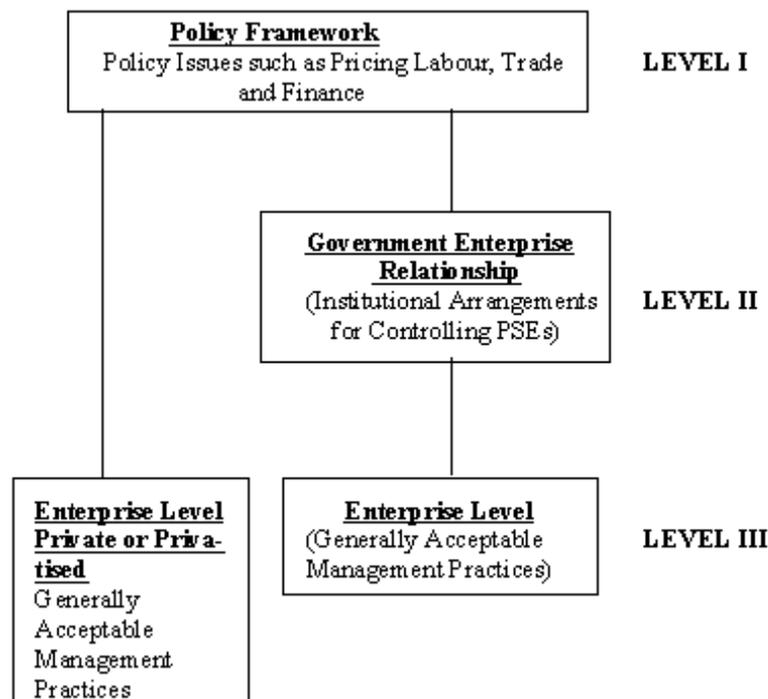


Figure1. Three levels of reform of public sector enterprises management system

Source: Adopted from Mehdi I. (1991) Privatisation and Performance Improvement Efforts of Public Sector Enterprises in Pakistan. A Paper presented at PSDE Conference organised by PIDE Islamabad 8 – 10 January, 1991.

5.1 Constraints in Privatisation

- Weakness of capital markets is a major obstacle to successful privatisation of public sector enterprises because there are few financial intermediaries to push savings into stock markets.
- In view of weak capital market and financial regulation framework which makes public more reluctant to invest in shares, the World Bank recommend Pakistan and other developing countries to improve their auditing and financial reporting requirements in order to generate public confidence in the privatisation policy.
- In Pakistan, most PSEs are highly labour intensive, new owners after privatisation will seek to rationalise activities which results in large scale redundancies. The government placed a minimum period of twelve months during which workers could not be laid off.
- The absence of active capital markets makes the process of business valuation very difficult (Khan, 2011).
- In the absence of an effective performance, evaluation of PSEs, the quality of accountability and autonomy of both organisations as well as their Managers suffer. This in turn leads to the problems of motivation of PSEs Managers and workers (Hassan, 1992).
- Another problem of the PSEs management is the absence of long term corporate planning managers used to show performance in the static situation e.g. profit for years etc. Planning for longer term remains a weak area resulting into sudden shortages of the output or demand outstripping supply (Khan, 2011).
- The inter-linkages of the PSEs (dependence of one another) frequent transfer of inefficiency of one another creating further problems in accessing their performance

6. Summary, Conclusions and Recommendations

6.1 Summary

The major purpose of this paper was to analyse the privatisation process of public sector enterprises in Pakistan during the period from 1960s to 1980s, 1990s to 1998 and 2002 to 2004. The paper further examines performance improvement of public sector enterprises and finally develops a reform programme for future sustainability of these PSEs.

6.2 Conclusions

The major conclusions drawn from this paper were:

- In the period 1972 – 77, the role of the public sector enterprises was heavily involved in finance, insurance, manufacturing, transportation, communication and energy.
- There was a significant increase in profits and production by State owned enterprises in the 1970s possibly due to a pro-investment and growth friendly and encouraging economic growth and development.
- As a result of restructuring of automobile sector in the 1980s sales in PACO during the nine year period increased from RS2395million, in 1980 – 1981 to RS10830million and in 1988 – 1989 a growth of 2.3% profit increased from RS73million in 1980 – 1981 to RS367million in 1988 – 1989.
- During the period of 1990 to 1998, 118 public enterprises were identified for privatisation out of these, 67 enterprises have been privatised and transferred to private sector.
- During the period of 2002 to 2004, Pakistan had completed/approved 139 transactions at gross proceeds of RS134.4billion, of this amount RS33.1billion was received during July – March 2003 – 2004 from the sale of government share holding in OGDCL, NBP, OPOL, ARI, DG Khan Cement, SSGC and Thatta cement.
- In the year 2004, a new feature of privatisation is offering shares to the general public through stock markets, 97,000 applicants purchased shares whose subsequent value increased to over RS8billion.
- Public Sector Enterprises (PSEs) in Pakistan have emerged as important organisational devices for management of the economy. An agenda for performance improvement should include: - autonomy, organisational structure and efficiency of government enterprise.
- The reform programme for sustainability of public sector enterprises should also include: - general policy environment, government enterprise relationship and management of industrial enterprises.

6.3 Recommendations

On the basis of the above conclusions, the following recommendations are made:

- The regulatory role of the State in privatised enterprises must be flexible enough to encourage efficiency, competence and financial discipline.
- It is now time for us to re-evaluate our economic system and develop a vision and structure of a new economic order in line with the aspirations of our masses.
- Every privatisation transaction should encourage wider share ownership whenever possible. Similarly, also competition should be introduced as part of the privatisation process where ever possible.
- In view of the increased government intervention, both in the public and private sector are interlinked either with a certain government policy or a private enterprise. Unless an effective deregulation policy is introduced, the problem of limited efficiency may continue.
- It is recommended that privatisation of PSEs has to be done in phases in view of the large number of public sector enterprises and limited absorption capacity of the market. Identification of priority units and their methods of privatisation shall be critical for the subsequent programme.
- A more comprehensive legal framework which address the following three elements: - organisation, implementation and follow-up need to be developed.
- It is important to develop an institution for ensuring consumer interest by way of keeping, low prices and maintaining quality. This is in respect of monopolistic enterprises. Development of a regulatory commission on the pattern of North America and Canada may be considered.

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