ECONOMIC POLICY
& BUSINESS
DEVELOPMENT

BEYOND BORDERS
SOE GOVERNANCE IN ASIAN ECONOMIES

A Snapshot of the Countries in Comparison

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State-Owned Enterprises (SOEs) are firms that are owned or controlled by the state. They exist in various forms, from companies wholly owned by national or sub national governments to those with partial state ownership through direct shareholding or indirect control via investment funds or holding companies.

The historical trajectory of SOE sectors in these countries reflects their shared post-colonial heritage and subsequent diverging reform paths. All four began independence with strong state control over key economic sectors, inherited from colonial administrative structures and expanded during early nation-building efforts. Pakistan and Bangladesh's SOE sectors evolved through cycles of nationalization (particularly in the 1970s) followed by partial privatization attempts, which often proved politically difficult to implement fully. India followed a similar path but implemented more systematic reforms through its performance contract approach and tiered autonomy system beginning in the 1980s. Malaysia's distinctive approach through the GLC Transformation Programme (2005-2015) stands out as one of the leading regional model, achieving significant performance improvements without wholesale privatization. These divergent evolutionary paths within similar historical contexts offer valuable comparative lessons for Pakistan's reform efforts.

SOEs play a substantial role in the global economy. Between 2000 and 2023, SOEs among the world's 500 largest enterprises by revenue increased from 34 to 126, collectively holding assets worth USD 53.5 trillion and generating over USD 12 trillion in revenue[1]. As of 2023, companies with more than 25% public sector ownership account for nearly 12% of global market capitalization, representing 2,037 companies worldwide[2]. However, their prominence varies considerably across markets—in Organisation for Economic Co-operation and Development (OECD) countries, such firms constitute just 2% of market capitalization, compared to 16% in Latin America and over 40% in some markets[3].

SOEs IN THE GLOBAL 500

2000
34 SOEs in top 500
companies by revenue

2023
126 SOEs
+270% increase in two decades
USD 53.5 trillion in assets
USD 12+ trillion in annual revenue

1. https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/06/ownership-and-governance-of-state-owned-enterprises-2024_136e9151/395c9956-en.pdf
2. https://www.pwc.com/gr/en/publications/assets/state-owned-enterprises-catalysts-for-public-value-creation.pdf
3. https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/06/ownership-and-governance-of-state-owned-enterprises-2024_136e9151/395c9956-en.pdf

These enterprises operate across a range of sectors, primarily in natural monopolies such as network industries and public utilities—including electricity, water, transportation, and telecommunications. In addition, SOEs are active in banking and finance, manufacturing, and industrial sectors.

In Pakistan, SOEs constitute a significant portion of the economy, generating revenues equivalent to approximately 14% of GDP while contributing Rs 2,062 billion to the national exchequer in FY2024 through taxes, non-tax revenues, dividends, and interest payments[4].

Pakistan's SOEs, while strategically positioned in key sectors of the economy, have become a substantial fiscal burden, with accumulated losses reaching Rs 5,748 billion and requiring consistent government support through subsidies, grants, and equity injections[5].

14% **Pakistan's GDP generated bySOEs**

CONTRIBUTION TO NATIONAL EXCHEQUER

FY 2024 **Rs 2,062 Billion**

- Taxes
- Non-tax revenues
- Dividends
- Interest payments

FISCAL BURDEN

accumulated losses **Rs 5,748 Billion**

Ongoing reliance on:

- Subsidies
- Grants
- Equity injections

Reforming SOEs has become an increasingly critical issue globally and particularly in Pakistan. This comparative analysis examines Pakistan's SOE challenges in relation to those of India, Bangladesh, and Malaysia—countries that share similar developmental contexts, governance challenges, and historical legacies. These nations provide particularly relevant reference points due to their geographical proximity, comparable socioeconomic structures, and shared colonial heritage that has shaped institutional frameworks.

By examining successful reform strategies, governance innovations, and ownership models implemented across these Asian economies, this analysis aims to identify transferable lessons that can guide Pakistan's efforts to transform its SOEs from fiscal burdens into efficient entities that contribute to economic growth and provide quality public services.

4. https://www.finance.gov.pk/publications/SOEs_Annual_Report_FY2024.pdf
5. https://www.finance.gov.pk/publications/SOEs_Annual_Report_FY2024.pdf

MACROECONOMIC CONTEXT

The macroeconomic landscapes of Pakistan, India, Bangladesh, and Malaysia provide important context for understanding their respective SOE sectors. As of 2023, Pakistan's economy was valued at USD 337.91 billion, significantly smaller than India's USD 3.57 trillion but comparable to Bangladesh's USD 437.42 billion and Malaysia's USD 399.71 billion.

Pakistan faces the most challenging macroeconomic environment among these countries, with the highest inflation rate (30.8%) compared to India (5.6%), Bangladesh (9.9%) & Malaysia's remarkably low 2.5%.

Additionally, Pakistan ranks lowest among these countries in key governance metrics, with a Corruption Perception Index (CPI) ranking of 135, regulatory quality score of 19.81, and political stability score of 6.64 – all indicators that create a difficult operating environment for SOEs regardless of their management structures.

Governance Indicators

Lower scores = more challenging environments

Country	CPI Rank	Regulatory Quality	Political Stability
Malaysia	61	66.51	55.19
India	93	46.52	39.62
Bangladesh	149	24.52	13.68
Pakistan	135	19.81	6.64

Inflation Rates (%)

- Pakistan: 30.8 (Highest)
- Bangladesh: 9.9
- India: 5.6
- Malaysia: 2.5 (Lowest)

Macroeconomic Indicators[6]

	GDP (Current USD)	GDP per capita (Current USD)[7]	Inflation Rate, consumer prices (annual %)[8]	Unemployment, total (% of total labor force)[9]
Pakistan	337.91 billion	1,365.3	30.8	5.4
India	3.57 trillion	2,480.8	5.6	4.2
Bangladesh	437.42 billion	2,551	9.9	4.5
Malaysia	399.71 billion	11,379	2.5	3.4

Governance and Social Innovation Indicators

	Corruption Perception Index (CPI) 2024*[10]	Regulatory Quality 2023**[11]	Political Stability & Absence of Violence 2023**[12]	Global Innovation Index (GII) 2024***[13]	Human Development Index 2024****[14]
Pakistan	135	19.81	6.64	91	164
India	96	47.17	21.33	39	134
Bangladesh	151	18.87	15.64	106	129
Malaysia	57	73.11	50.71	33	63

GDP

USD, 2023

India
$3.57 Trillion
Bangladesh
$3.57 Trillion
Malaysia
$399.71 Billion
Pakistan
$337.91 Billion

6. The data is from Year 2023
** Corruption Perception Index shows the ranking of countries*
*** The data is based on percentile rank (0 to 100)*
**** Global Innovation Index shows the ranking of countries*
***** Human Development Index shows the ranking of countries*
7. https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=PK-IN-BD-GB-CN-RU-SG-MY&start=2015
8. https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=SG-MY&start=2022
9. https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=PK-IN-BD-CN&start=2022
10. https://www.transparency.org/en/cpi/2024
11. https://www.worldbank.org/en/publication/worldwide-governance-indicators/interactive-data-access
12. https://www.wipo.int/web-publications/global-innovation-index-2024/assets/67729/2000%20Global%20Innovation%20Index%202024_WEB3lite.pdf
https://hdr.undp.org/data-center/country-insights#/ranks
13. https://www.wipo.int/web-publications/global-innovation-index-2024/assets/67729/2000%20Global%20Innovation%20Index%202024_WEB3lite.pdf
14. https://hdr.undp.org/data-center/country-insights#/ranks

The relative significance of SOEs varies across these economies while facing similar developmental challenges.
In Pakistan, SOEs generate revenues equivalent to approximately 14% of GDP and contribute substantially to the national exchequer (Rs 2,062 billion in FY2024). India's SOEs represent a smaller portion of its larger economy, with their contribution to GDP declining from 1.4% in 2009/10 to 0.7% in 2019/20.
Bangladesh's SOE sector has suffered dramatic profitability declines, with aggregate net profit falling from 10,677.23 crore Taka in FY 2018-19 to just 138.04 crore Taka in FY 2022-23.
In contrast, Malaysia's Government-Linked Companies have demonstrated stronger performance through focused reforms, with market capitalization growing from RM134 billion to RM386 billion during the GLC Transformation Programme (2005-2015). These variations reflect different approaches to SOE management within broadly similar developmental contexts.

SECTORAL DISTRIBUTION OF SOEs IN INDIA, BANGLADESH & MALAYSIA

Pakistan	india	Bangladesh	Malaysia
Oil and Gas	Manufacturing Sector	Industrial Sector	Major Infrastructure and Utility Sectors
Power	Power Sector	Power, Gas and Water Sector	Energy Sector
Manufacturing, Mining & Engineering	Oil and Gas Sector	Transport and Communication Sector	Other Commercial Sectors
Infrastructure, Transport and ITC	Infrastructure, Transport & Information Technology Communication (ITC)	Trade/Commercial Sector	
Financial	Financial Services Sector	Agriculture and Fisheries Sector	
Industrial Estate Development	Contract and Construction Services	Construction Sector	
Trading & Marketing		Service Sector	
Miscellaneous			

PAKISTAN

As of FY2024, Pakistan has 88 commercial, 45 non-commercial and 79 subsidiaries making it a total of 212 SOEs in Pakistan[15]. Of these, 121 federally owned SOEs, with 73% classified as commercial entities and the remainder as non-commercial entities established for sectoral development needs. The commercial SOEs are primarily concentrated in Finance; Oil and gas; Power; Infrastructure, transport and Information Technology & Communication (ITC) Manufacturing and Trading and marketing.

INDIA

India's 366 SOEs (256 operational as of FY2019/20) span five major sectors: agriculture, mining, manufacturing, electricity, and services[16]. The manufacturing sector has been a traditional stronghold, established during the Second Five-Year Plan (1956), with petroleum refining accounting for 53% of total SOE revenue. The power sector, divided into generation, transmission, and distribution, represents a significant portion of SOE assets but faces challenges with distribution companies (DISCOMs) accounting for 29% of total SOE losses in FY2023[17].

BANGLADESH

Bangladesh operates 49 non-financial SOEs across seven sectors[18]. The industrial sector comprises six corporations including textile, steel, sugar, chemical, forest, and jute enterprises. The power, gas, and water sector consists of six entities including PETROBANGLA and Bangladesh Power Development Board (BPDB), which contribute significantly to public revenue despite mixed financial performance. The transport and communication sector has expanded to nine enterprises, with the Bangladesh Telecommunication Regulatory Commission being consistently profitable. Other sectors include trade/commercial (three entities, with BPC being the most profitable), agriculture and fisheries (two enterprises with minimal contribution), construction (six urban development authorities), and services (17 diverse regulatory and promotional agencies).

MALAYSIA

Malaysia's SOEs, referred to as Government-Linked Companies (GLCs), are strategically distributed across key economic sectors. Major infrastructure and utilities include airlines (Malaysia Airlines), airports, banking (Maybank, CIMB), electricity (Tenaga Nasional Berhad), postal services (POS Malaysia), railways (Keretapi Tanah Melayu Berhad) and telecommunications (Telekom Malaysia).

The energy sector features PETRONAS, Malaysia's national oil company, which holds exclusive petroleum rights and maintains extensive international operations. Malaysian SOEs also

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15. Ministry of Finance also mentioned that the number may change due to restructuring and reclassification
16. https://www.imf.org/en/Publications/WP/Issues/2022/08/26/Indias-State-Owned-Enterprises-522657
17. https://www.imf.org/en/Publications/WP/Issues/2022/08/26/Indias-State-Owned-Enterprises-522657
18. (PDF) Performance Analysis of Nonfinancial State-Owned Enterprises in Bangladesh

operate in manufacturing (Chemical Company of Malaysia Berhad), leisure and tourism (Rangkaian Hotel Seri Malaysia), and agriculture/plantations (TH Plantations)[19]. This diversified portfolio reflects Malaysia's approach to maintaining government influence in strategic economic areas while promoting national development objectives.

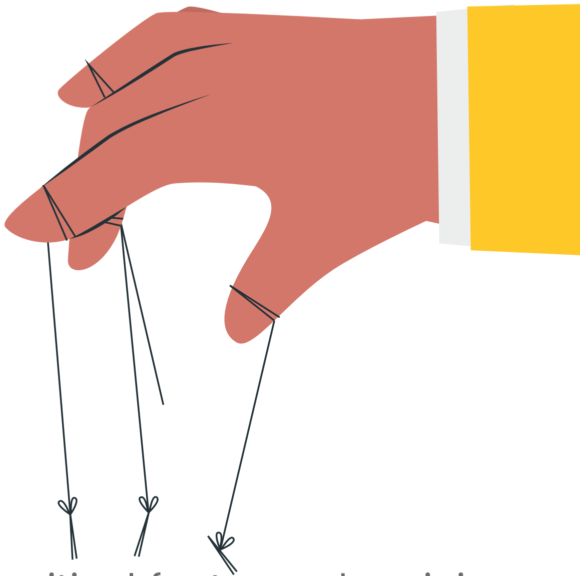
Across all three countries, SOEs play vital roles in their respective economies, with varying sectoral emphases reflecting national priorities and development strategies. India shows the greatest sectoral diversity with emphasis on manufacturing and infrastructure, Bangladesh focuses on industrial and utility sectors, while Malaysia has developed a more commercially oriented model with strong presence in strategic industries and financial services.

GOVERNANCE REALITIES & HURDLES OF ASIAN SOEs

State-owned enterprises across Pakistan, India, Bangladesh, and Malaysia face several common governance challenges that significantly impact their operational efficiency and financial performance, though with varying severity and response mechanisms.

Political Interference

Political interference in operational decisions represents the most pervasive challenge across all four countries. Bangladesh's dispersed ministerial control system recognizes minimal politically interference in decision-making[20]. Even Malaysia, despite its more successful reforms, maintains greater political connections in its Khazanah model compared to Singapore's more insulated Temasek approach, reflecting deeply entrenched patterns of political economy.



Political interference emerges as one of the most critical factor undermining SOE performance in Pakistan. Despite generating gross revenues of Rs 13,524 billion in FY2024, federal SOEs reported aggregate net losses of Rs 30.6 billion (or Rs 521.5 billion when excluding Pakistan Sovereign Wealth Fund entities). These losses persist despite substantial government assistance through subsidies (Rs 782 billion) and grants (Rs 367 billion), reflecting deep structural inefficiencies driven by non-commercial objectives. Political appointments to boards and management positions have historically prioritized loyalty over professional qualifications, while government interventions in pricing and operational decisions have undermined commercial viability. Pakistan's SOEs have effectively become vehicles for various political objectives – employment generation, subsidized services, and patronage networks - at the expense of financial performance.

19. https://www.krinstitute.org/assets/contentMS/img/template/editor/8%20State%20Owned%20Enterprises.pdf
20. https://www.adb.org/publications/state-owned-enterprises-cluster-based-industrialization-evidence-bangladesh

Transparency and Reporting Deficiencies

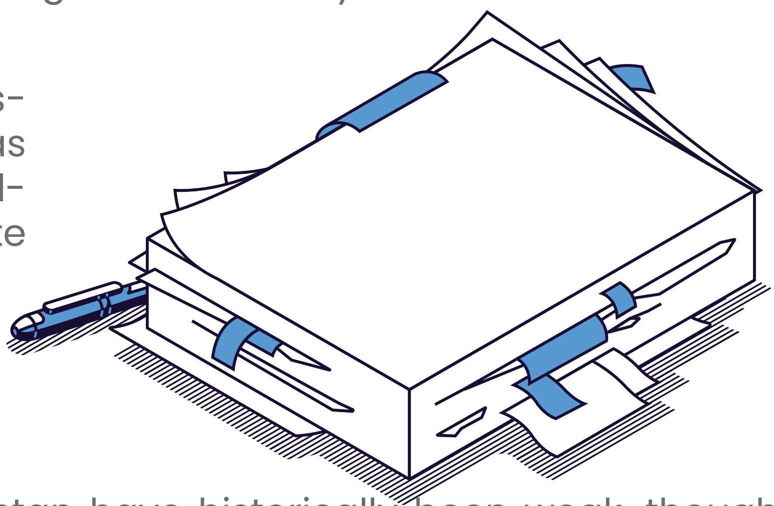
Transparency and reporting deficiencies constitute another significant governance challenge. Bangladesh's SOEs face serious reporting challenges that have contributed to their dramatic profitability decline, with aggregate net profit falling from 10,677.23 crore Taka in FY 2018-19 to just 138.04 crore Taka in FY 2022-23. India's Memorandum of Understanding (MoU) system has improved transparency requirements, though implementation remains uneven[21]. Malaysia has made more significant progress through the GLC Transformation Programme's emphasis on improved monitoring frameworks.

In Pakistan, transparency issues are particularly acute. Several major entities failed to prepare audited financial statements, while others showed material misstatements or departures from accounting standards. The incomplete implementation of IFRS 9 standards for expected credit losses "masks the true extent of credit risk exposures and prevents transparent assessment of SOEs' financial health." These reporting challenges contribute to ineffective governance and obscure the true financial position of many SOEs.

Accountability Mechanisms

Accountability mechanisms vary significantly in design and effectiveness across these countries. India's tiered classification system (Maharatna/Navratna/Miniratna) provides enhanced autonomy to high-performing SOEs, creating enhanced performance system[22].
Malaysia's approach through the GLC Transformation Programme particularly the "Green Book"[23] initiative for enhancing board effectiveness represents a notable regional model for improving accountability without fundamental ownership changes.

Bangladesh, operating under a dispersed ministerial control model, has struggled with implementation challenges and inadequate corporate governance frameworks.

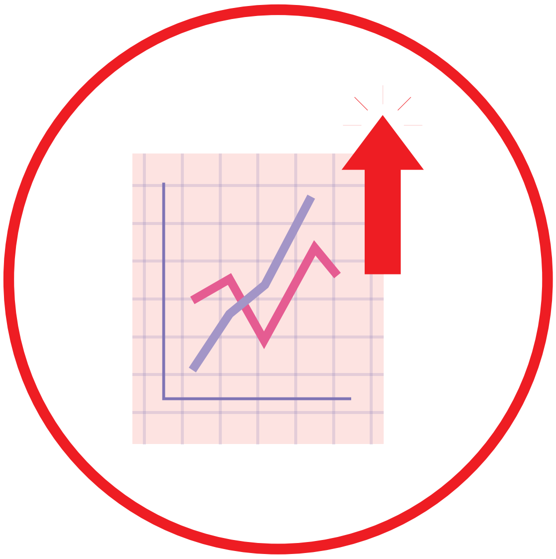


Accountability mechanisms in Pakistan have historically been weak, though recent reforms attempt to address this deficiency. Pakistan's recent SOE Act and Policy of 2023 aims to strengthen accountability through a Central Monitoring Unit and performance-based CEO contracts, but implementation remains in early stages. The absence of effective accountability frameworks has allowed underperforming SOEs to continue operating despite persistent losses, creating a significant fiscal burden on public finances.

21. https://www.davidpublisher.com/Public/uploads/Contribute/57e8997e6bc3e.pdf
22. https://www.cnbctv18.com/market/psu-explainer-miniratna-navratna-maharatna-ireda-coal-india-hpcl-share-price-19403730.html
23. The Green Book is a core initiative of Malaysia's GLC Transformation Program (2005-2015)

Country-Specific Challenges

Beyond these shared challenges, each country faces unique governance issues. Malaysian SOEs specifically face challenges balancing commercial interests with developmental and social obligations. Their GLCs in non-competitive sectors must function as both service providers and implementers of government policies while simultaneously being subject to competition laws. The diversity of Malaysian SOEs in form, structure, and legal obligations—ranging from statutory bodies to corporatized companies—complicates unified governance approaches. Additionally, Malaysia faces challenges reconciling international expectations for SOE governance in trade agreements like the CPTPP with domestic regulatory frameworks and development priorities.



Pakistan confronts a distinctive circular debt crisis, which has reached approximately Rs 3,600 billion.
This cascading financial contagion—primarily stemming from inefficiencies within power distribution companies and spreading throughout the SOE chain—has adversely impacted even financially strong entities like OGDCL and PPL. The persistence of this issue demonstrates how political decisions regarding pricing and subsidies can undermine financial sustainability throughout interconnected SOE systems, requiring comprehensive sectoral rather than entity-specific reforms.

Countries that have successfully insulated SOEs from direct political interference while maintaining strategic alignment through professional boards and clear performance expectations demonstrate markedly better outcomes, suggesting a path forward for ongoing reforms throughout South and Southeast Asia.

PAKISTAN'S SOE RESET- TRANSFORMATIVE REGIONAL INSIGHTS

- Implement a professional governance framework focusing on board effectiveness through comprehensive director selection criteria, performance evaluation systems, and capacity building programs. Develop detailed guidelines on corporate governance practices similar to the highly effective "Green Book" initiative from Malaysia's GLC Transformation Programme, which delivered impressive financial improvements with market capitalization growing from RM134 billion to RM386 billion. This approach would enhance accountability in Pakistan's SOEs without requiring fundamental ownership changes, addressing the political interference that has undermined performance

- Adopt a performance management system with tiered autonomy rewards for high-performing entities, similar to India's Maharatna/Navratna/Miniratna classifications.

- Develop comprehensive performance contracts with clear KPIs, allowing better-performing SOEs to gain operational independence. This system would address Pakistan's accountability gaps while providing incentives for improved performance, offering a middle path that establishes targets while managing the political reality of government influence, as demonstrated in India's experience with performance-based MoUs.

- Implement strict financial transparency measures including comprehensive IFRS 9 implementation across all SOEs, particularly for inter-company receivables that contribute to circular debt.

- Establish an independent financial reporting oversight mechanism to avoid the dramatic profitability decline witnessed in Bangladesh's SOE sector, where aggregate profits plummeted from 10,677.23 crore Taka to just 138.04 crore Taka over four years due to dispersed ministerial control and weak financial discipline.

- Develop sector-specific restructuring strategies that clearly separate commercial activities from public service obligations, particularly for entities like Pakistan Railways and power distribution companies that contribute significantly to circular debt. This targeted approach should include transparent subsidy mechanisms with clear performance metrics, following the success of Malaysia's GLC Transformation Programme that achieved substantial performance improvements through focused governance reforms without fundamentally changing ownership structures.

- Introduce market discipline through partial listings for commercially viable SOEs while maintaining strategic control, similar to India's successful mixed ownership models. Explore partnerships with international operators in sectors like aviation and railways to transfer knowledge and improve efficiency, an approach that has worked effectively in Malaysia's transformation of state enterprises. This would help address Pakistan's SOE profitability issues while respecting national interests.

- Establish institutional buffers between government and SOEs inspired by Malaysia's governance reforms that successfully reduced direct political interference while maintaining strategic alignment through professional boards and clear performance expectations. Create an arms length relationship through a professional holding company structure that provides expert oversight while reducing direct political appointments & interference in day to day operations.

- This would address the critical issue of political interference that has turned Pakistan's SOEs into vehicles for employment generation, subsidized services, and patronage networks at the expense of financial performance.

By implementing these recommendations drawn from successful regional approaches, Pakistan can address its SOE governance challenges while recognizing the political and economic realities that make its context unique. The focus should be on proven governance mechanisms that have delivered results in comparable regional environments.

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