
# State-Owned Enterprises: Draining Taxpayers Money



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The fundamental model that lies at the core of every tax system around the world is that the businesses and citizens of the country surrender a portion of their earnings to the government. On a quid pro quo basis, the government in return deploys those funds for the welfare of the public by building modern, infrastructure, offering health facilities, improving schools for quality education, providing security and maintaining law and order as well as offering business-friendly environment leading to shared prosperity.

However, no fiscal framework, or governance model, as well as economic literature has ever imagined a system in which citizens are made to pay not for the welfare rather than for chronic incompetence of public enterprises that were created to serve them. Pakistan's State-owned enterprises are classic examples of this sorry state of affairs where hundreds of billions of taxpayers' money goes down the drain.

Historically, the role of State-Owned Enterprises (SOEs) has been significant in Pakistan's economy. These enterprises were established to lay the foundation for industrialization, infrastructure development, address market dynamics and facilitate public. The footprint of these SOEs is spread across various sectors such as energy, transportation, telecommunications, finance, manufacturing, hospitality and are directly owned or controlled by both federal or provincial governments.

**Table 1: Breakdown of SOEs in Pakistan**

| Segment | Sector | Companies | Subsidiaries | Total |
|---|---|---|---|---|
| **Commercial** | Oil & Gas | 9 | 8 | 17 |
| **Commercial** | Power | 24 | 1 | 25 |
| **Commercial** | Financial | 20 | 16 | 36 |
| **Commercial** | Trading & Marketing | 4 | 2 | 6 |
| **Commercial** | Industrial Development | 4 | 4 | 8 |
| **Commercial** | Manufacturing, Mining & Engineering | 8 | 10 | 18 |
| **Commercial** | Infrastructure, Transport & ITC | 13 | 24 | 37 |
| **Commercial** | Miscellaneous | 6 | 4 | 10 |
| **Total- Commercial** | | 88 | 69 | 157 |
| **Non-Commercial** | Education, Training & Skills Development | 12 | - | 12 |
| **Non-Commercial** | Funds, Foundations & Welfare Trusts | 13 | 1 | 14 |
| **Non-Commercial** | Sectoral Development | 21 | 8 | 29 |
| **Total-Non-Commercial** | | 46 | 9 | 55 |

*Source: SOE Report 2025*

These SOEs have contributed to the economy in terms of revenue and employment generation as well as fulfilling other social and strategic objectives as exhibited in Table 1.

However, despite having an asset base of trillions of rupees but persistently posting losses, these SOEs have now evolved into a crisis where they have become a direct impediment to national fiscal framework. As per the latest available release on Consolidated SOE position by the Ministry of Finance, the book value of their assets was Rs. 37.9 trillion. In fiscal year (FY) 2024-25, commercial SOEs collectively had revenues of Rs. 12.4 trillion (approx.) while on net level they recorded losses of Rs. 122 billion, which was 300% higher than net losses (Rs. 30.64 billion) incurred by them in FY 2023-24.

SOEs is attributed to government's reluctance or delayed action to implement cost-reflective tariff adjustments, due to political reasons, which result in revenue shortfalls.

In terms of net position, the situation has worsened with the outgoing financial year witnessing 301% surge in net losses which increased from Rs. 30.6 billion in FY2024 to Rs. 122.9 billion in FY2025, as displayed in Table 3. Despite holding a massive asset base of Rs. 37,988 billion, FY 25 saw net margin of -0.3% meaning thereby that the state is experiencing a net wealth erosion each passing year.

SOE's performance has historically been divided into "Profit making SOE's" and "Loss making SOE's." Aggregate profits across the profit making SOE's portfolio declined to Rs. 709.9 billion in FY2025 in Table 4, which is a

**Table 2: Gross Revenue Sector Wise (PKR billion)**

| Sector | FY 2023-24 | FY 2024-25 | YoY Change (%) |
|---|---|---|---|
| Oil & Gas | 7,478 | 6,794 | -9 |
| Power | 4,053 | 3,872 | -4 |
| Financial | 845 | 952 | 13 |
| Trading & Marketing | 340 | 77 | -77 |
| Industrial Estate Development | 9 | 4 | -56 |
| Manufacturing, Mining & Engineering | 29 | 42 | 45 |
| Infrastructure, Transport & ITC | 739 | 662 | -10 |
| Miscellaneous | 27 | 25 | -7 |
| **Total** | **13,524** | **12,430** | **-8** |

*Source: SOE Report 2025*

Total revenue for the commercial entities declined from Rs. 13,524 billion in FY2024 to Rs. 12,430 billion in FY2025 as seen in Table 2, a contraction of approximately Rs. 1,093 billion or roughly 8%. These significant declines signal a structural weakening in the commercial performance of large SOEs, particularly in the power, oil & gas (O&G), and transport sectors.

The aforementioned report mentions the reasons that include for example in the power sector, chronic tariff and pricing misalignments that continue to suppress realizable revenue coupled with the issue of circular debt accumulation and distribution losses, causing further aggravation. Additionally, loss-making enterprises in rail and aviation underperform commercially, with constricted revenues on account of aging infrastructure and operational inefficiencies. Prima facie, a common reason for inefficiency across all

reduction of 13% as compared to Rs. 820.7 billion in FY2024. This is a concerning situation where profitable entities/segments are also becoming white elephants. The report states that decline is driven by a combination of rising operational costs, delayed tariff adjustments, and subdued commercial throughput. More than 50% of profitability comes from 4 entities namely i.e. OGDCL, Pakistan Petroleum, National Bank of Pakistan and WAPDA.

On the flip side, the aggregate losses attributed to SOEs marginally reduced to Rs. 833 as compared to Rs. 851.4 billion in FY2024 i.e. a 2% reduction showing modest progress. However, the underlying problems still remain unaddressed. The annual loss of Rs. 832.8 billion translates to approximately Rs. 3 billion per day in losses, highlighting the need for structural reforms and addressing chronic issues like overstaffing, pricing distortions, and governance deficits.

**Table 3: Net Profit/Loss (PKR billion)**

| Sector | FY2023-24 | FY2024-25 | YoY Change (%) |
|---|---|---|---|
| **Oil & Gas** | 481 | 366 | -24% |
| **Power** | -223 | -242 | -9% (loss worsened) |
| **Financial** | 92 | 118 | 28% |
| **Trading & Marketing** | -0.732 | -21 | -2,769% (loss exploded) |
| **Industrial Estate Development** | 3 | 1 | -67% |
| **Manufacturing, Mining & Engineering** | -20 | -10 | +50% (loss reduced) |
| **Infrastructure, Transport & ITC** | -361 | -335 | +7% (loss reduced) |
| **Miscellaneous** | -0.225 | -0.176 | +22% (loss reduced) |
| **Total** | **-30.6** | **-122** | **-301%** |

*Source: SOE Report 2025*

**Table 4: Profit Making SOEs for FY2025**

| Company Name | Sector | FY2024-25 (PKR billion) | Weightage (%) |
|---|---|---|---|
| **Oil & Gas Development Company** | Oil & Gas | 169.9 | 23.9 |
| **Pakistan Petroleum Limited** | Oil & Gas | 89.9 | 12.7 |
| **National Bank of Pakistan** | Financial | 56.7 | 8 |
| **Water & Power Development Authority** | Power | 52.3 | 7.4 |
| **Government Holdings (Private) Limited** | Oil & Gas | 48.5 | 6.8 |
| **All Others** | | 293 | 41.2 |
| **Total** | | **709.9** | |

*Source: SOE Report 2025*

Moreover, in Table 5, the sum of losses of top four loss-making SOEs contributes around 67.2% to the total losses of SOEs portfolio in 2024-25, these entities are National Highway Authority (NHA), Quetta Electric Supply Co. (QESCO), Peshawar Electric Supply Co. (PESCO) and Pakistan Railways.

According to these results, the financial viability of SOEs is now unsustainable. Constant sector losses have transformed these entities into a continuous drain on the national exchequer, consuming hundreds of billions of rupees annually. This poor performance stems from deep-rooted governance issues, including political interference, a lack of operational autonomy, and widespread structural inefficiencies that severely compromise their market competitiveness.

The crisis extends beyond the income statement, posing an even greater risk at the balance sheet level. SOE financial liabilities now threaten the country's entire fiscal framework. Total accrued interest has surged to Rs. 2,184,490 million. Since these entities cannot service their debts, unpaid interest compounds, driving up financial costs exponentially.

Further, circular debts in power and gas sectors have reached Rs. 1.9 trillion and Rs. 2 trillion respectively, which in itself cast challenges on their overall sustainability, exhibited in Table 6.

Unfunded pension liabilities" in the balance sheets are another fiscal time bombs ready to explode any time. As of June 2025, the State-owned enterprises owe Rs. 2.03 trillion to its employees. Alarmingly, these liabilities have never been provisioned for, meaning no funds are set aside to meet these obligations while interest accumulates daily.

**Table 5: Loss Making SOEs for FY2025**

| Company Name | FY2024-25 (PKR billion) | Weightage (%) |
|---|---|---|
| National Highway Authority (NHA) | -294.9 | 35.4 |
| Quetta Electric Supply Co. (QESCO) | -112.7 | 13.5 |
| Peshawar Electric Supply Co. (PESCO) | -92.7 | 11.1 |
| Pakistan Railways | -60.3 | 7.2 |
| All Others | -272.3 | 32.7 |
| Total | **-832.8** | |

*Source: SOE Report 2025*

This crisis is the direct result of decades of systemic financial mismanagement at the state level. Crucially, the reported Rs. 2.03 trillion figure represents in Table 6, highlighting a conservative floor. Official government reports admit that the actual liability of entities like Pakistan Railways remains completely unknown, indicating that these unfunded pension obligations constitute a massive fiscal risk. Lacking any dedicated funding reserves, these immediate payout obligations must be kept afloat through annual cash grants from the national budget.

**Table 6: Combined Debt Stock (PKR billion)**

| Company Name | As of Jun-25 |
|---|---|
| Oil & Gas | 775.3 |
| Power | 3,021.9 |
| Financial | 11.7 |
| Trading & Marketing | 868.5 |
| Industrial Estate Development | - |
| Manufacturing, Mining & Engineering | 305.7 |
| Infrastructure, Transport & ITC | 4,582 |
| Miscellaneous | 6.1 |
| Total | **9571.2** |

*Source: SOE Report 2025*

Over time, changing economic policies, technological advancements, and shifting global market dynamics have diminished the role and economic contribution of SOEs. Today, these entities face acute operational and financial challenges, struggling to maintain basic commercial viability due to deeply entrenched institutional inefficiencies, chronic overstaffing, and subpar management practices.

**Table 7: Sector Wise Bifurcation of Pension Liabilities (PKR billion)**

| Company Name | As of Jun-25 |
|---|---|
| Oil & Gas | 89.3 |
| Power | 1,519.4 |
| Financial | 175.7 |
| Trading & Marketing | 1.0 |
| Industrial Estate Development | 0.2 |
| Manufacturing, Mining & Engineering | 6.4 |
| Infrastructure, Transport & ITC | 190.2 |
| Miscellaneous | 48 |
| Total | **2,030.1** |

*Source: SOE Report 2025*

Furthermore, heavy bureaucratic hurdles, a distinct lack of innovation, and reliance on obsolete technology severely restrict daily operational efficiency. Compounding these technical failures, systemic governance deficits, most notably political interference, nepotism, and administrative corruption, have completely undermined the broader institutional framework necessary for transparent operations.

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