

Transparency in Pakistan's State Owned Enterprises: Strengthening Financial Governance for Sustainable Performance

Introduction

In Pakistan's public sector, State-Owned Enterprises (SOEs) play a crucial strategic role in sectors such as energy, transportation, aviation, infrastructure, banking and telecommunications. These organizations are instrumental in promoting national development goals, fostering economic growth and delivering essential public services. Unlike private-sector businesses, SOEs are responsible for managing public resources while balancing socioeconomic obligations with commercial viability. Consequently, their governance and performance have a direct impact on public service delivery, economic sustainability and citizen trust. Transparency has therefore emerged as a key component of effective public-sector governance. The timely, accurate and comprehensive disclosure of information enables stakeholders to assess organizational performance, governance practices and the management of public resources. The Organization for Economic Co-operation and Development (OECD, 2024) highlights that greater transparency can reduce information asymmetry between management and stakeholders, foster accountability, increase public trust and enhance decision-making. Similarly, the World Bank (2023) emphasizes that transparent institutions are better positioned to manage risks, improve productivity and generate long-term value.

The importance of transparency has become even more pronounced due to the persistent challenges confronting several SOEs in Pakistan, including operational inefficiencies, financial losses, governance weaknesses and growing fiscal obligations. These challenges have increased calls for reforms aimed at strengthening accountability, improving disclosure practices and enhancing monitoring mechanisms (IMF, 2023). In response, the Government of Pakistan has introduced various governance reforms, including the State-Owned Enterprises (Governance and Operations) Act, 2023, which seeks to strengthen governance standards and performance monitoring across federal SOEs. Against this backdrop, this article examines the significance of transparency in Pakistan's SOEs, highlights key governance challenges, reviews recent reform initiatives and international best practices, and discusses the strategic role of management accountants in strengthening financial governance, transparency and accountability.

Understanding State-Owned Enterprises in Pakistan

State - Owned Enterprises (SOEs) are government -owned or controlled entities that operate in strategic sectors such as energy, banking, infrastructure, transportation and telecommunications. In Pakistan, SOEs manage significant public assets

and play an important role in delivering essential services, supporting economic activity and advancing national development objectives. Government ownership is particularly important in sectors involving strategic interests, essential services and natural monopolies (World Bank, 2023).

However, public ownership also presents governance challenges, including political interference, operational inefficiencies, financial losses and weak accountability. These issues have often resulted in government financial support, placing additional pressure on public resources. Strong governance structures, transparent reporting and effective performance management are therefore essential to improve the efficiency, accountability and sustainability of Pakistan's SOE sector (Ministry of Finance, 2024).

Economic Significance of SOEs in Pakistan

SOEs have a significant impact on Pakistan's economy through their contribution to employment, infrastructure development, energy security, transportation and public service delivery. Federal SOEs manage assets and liabilities worth trillions of rupees and play an important role in advancing national development objectives. However, poorly managed SOEs can generate substantial fiscal pressures through financial losses, growing debt and reliance on government guarantees and subsidies, diverting public resources from essential sectors (Ministry of Finance, 2024; IMF, 2023).



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Strong governance, transparency and accountability are therefore essential to improve SOE performance, strengthen investor confidence and support fiscal sustainability and long-term economic growth.

Transparency and Financial Governance

Financial governance and transparency are essential for effective public-sector management, accountability and the responsible use of public resources. Financial governance provides the structures, rules and procedures through which SOEs are directed, monitored and held accountable for their performance and resource management. Transparency complements these mechanisms by ensuring that relevant and reliable information is available to stakeholders, enabling them to assess organizational performance, governance practices and the use of public funds. Greater transparency can reduce information asymmetry, strengthen accountability, improve decision-making and enhance public trust (IFAC, 2023).

action, whereas timely reporting can strengthen oversight and stakeholder confidence (World Bank, 2023). The table below highlights how key transparency deficiencies can affect financial performance and public trust. Consequently, improving transparency is critical to strengthening SOE governance, reducing fiscal risks and ensuring the efficient use of public resources.

Transparency Challenges in Pakistani SOEs and Their Impact

Many State-Owned Enterprises (SOEs) in Pakistan continue to face governance and transparency challenges, including delayed financial reporting, weak institutional frameworks, political influence and inadequate monitoring mechanisms. Delays in publishing audited financial statements and performance reports limit effective oversight and informed decision-making, while weak internal controls and risk management increase exposure to

Table 1: Impact of Weak Transparency on Financial Performance and Public Trust		
Transparency Deficiency	Impact on Financial Performance	Impact on Public Trust
Delayed Financial Reporting	Delayed Corrective Actions and Strategic Decisions	Create Perception of Weak Accountability
Weak Internal Control	Increase Risk of Fraud and Resources Wastage	Reduce Confidence in Governance System
Limited Performance Reporting	Hinders Assessment of Efficiency and Effectiveness	Restrict Public Scrutiny
Political Interference in Governance	May Lead to Non-Commercial Decisions and Financial Losses	Agribusiness, Food Processing
Poor Risk Management Practices	Exposes Organizations to Financial and operational Risks	Create Stakeholders Uncertainty
<i>Source: Compiled by Author based on published studies and Institutional guidelines.</i>		

For SOEs, transparency extends beyond conventional financial reporting to include board composition, executive responsibilities, strategic objectives, risk management practices, operational performance and sustainability activities. The OECD Guidelines on Corporate Governance of State-Owned Enterprises emphasize timely, reliable and comprehensive disclosure to support effective oversight (OECD, 2024). This is particularly important for Pakistan's SOEs, which manage significant public assets and resources. Weak disclosure can conceal inefficiencies, increase governance and financial risks, and delay corrective

operational inefficiencies, financial irregularities and governance failures (Ministry of Finance, 2024; IFAC, 2023). Political influence in board appointments and strategic decisions can further weaken accountability and performance monitoring (OECD, 2024).

These weaknesses also create significant financial and fiscal risks. Poorly managed SOEs may incur continued losses, higher operating costs and greater reliance on government guarantees, subsidies and capital injections, placing additional pressure on public resources (IMF, 2023).

At the same time, inadequate disclosure can undermine stakeholder confidence and public trust. Strengthening transparency, independent oversight, internal controls and performance monitoring is therefore essential to improve financial sustainability, accountability and public confidence in Pakistan's SOE sector.

Recent SOE Reforms in Pakistan

The Government of Pakistan has introduced reforms to strengthen governance, transparency and accountability in SOEs. A key development is the State-Owned Enterprises (Governance and Operations) Act, 2023, which provides a framework for improving disclosure, board effectiveness, accountability and performance management. The Act also promotes merit-based board appointments and stronger strategic monitoring and performance evaluation.

The Ministry of Finance has further strengthened SOE reporting through annual and biannual reports covering fiscal risks, operational efficiency and financial performance. These measures aim to improve public access to information, support evidence-based policymaking and strengthen institutional accountability and fiscal management. However, effective implementation, continuous oversight and stronger institutional capacity remain essential for these reforms to deliver sustainable improvements in SOE governance and performance.

International Best Practices

International experience shows that strong governance and transparency frameworks can improve SOE performance. The OECD emphasizes transparency, accountability, board independence, risk

management and stakeholder engagement as key principles of effective SOE governance. Countries such as Singapore, Sweden and New Zealand have adopted approaches that balance commercial objectives with public accountability, supported by strong performance monitoring, independent boards and effective disclosure practices.

Common features of these models include robust risk management, transparent performance evaluation, independent oversight and comprehensive disclosure. Increasingly, digital tools such as real-time performance monitoring and online reporting platforms are also being used to enhance transparency. Adapting these practices to Pakistan's institutional context could strengthen SOE governance, improve stakeholder confidence and support sustainable performance.

Role of Management Accountants in Enhancing SOE Transparency

Management accountants play an important role in strengthening financial governance and transparency in SOEs. Beyond budgeting and cost control, they support performance management through strategic budgeting, balanced scorecards, variance analysis and key performance indicators (KPIs). They also strengthen risk management and internal controls by identifying risks, evaluating controls and supporting compliance, thereby improving the reliability of financial and operational information.

Management accountants further contribute to integrated reporting by linking financial and non-financial performance measures, enabling stakeholders to better assess organizational performance and sustainability.

Table 2: Recent SOE Reforms Initiatives in Pakistan

Reforms Initiatives	Key Objectives	Expected Governance Impact
SOE Act. 2023	Strengthen Governance Framework	Improved Accountability and Oversight
Enhanced SOE Reporting	Increase Transparency and Disclosure	Better Stakeholder Monitoring
Performance Monitoring System	Evaluate Operational Effectiveness	Improved Efficiency
Merit Bases Board Appointment	Professional Governance	Reduced Political Influence
Fiscal Risk Management Reforms	Improve Financial Sustainability	Lower Fiscal Burden

Source: Compiled by Author based on published studies and institutional guidelines.

Table 3: International Best Practices & Relevant to Pakistan

International Practices	Country Example	Relevant to Pakistan
Independent SOE Board	Singapore	Improved Governance Oversight
Performance Based Management	New Zealand	Enhanced Accountability
Comprehensive Disclosure	Sweden	Greater Transparency
Integrated Reporting	United Kingdom	Better Stakeholder Communication
Digital Governance System	Estonia	Improved Accessibility and Monitoring

Source: Compiled by Author based on published studies and institutional guidelines.

Through data-driven decision-making, financial discipline and performance-oriented management, they can serve as change agents and contribute to more accountable, transparent and efficient SOEs in Pakistan.

Recommendations

A number of management and policy initiatives should be considered to improve financial governance and transparency within Pakistan's SOEs. First, disclosure requirements should be strengthened to ensure that audited financial statements and performance reports are published on time. Second, governance frameworks should prioritize board independence and professional competence through transparent, merit-based recruitment procedures. Third, SOEs should strengthen enterprise risk management and internal control mechanisms to enhance accountability and protect public resources.

Digital reporting platforms should also be developed to facilitate stakeholder engagement and public access to information. Performance-based accountability systems should be established to ensure that boards and management are assessed against well-defined objectives and measurable results. Finally, management accountants should be empowered to take on strategic roles in organizational decision-making, performance management and governance.

The Way Forward and Conclusion

Transparency is essential to effective public-sector governance and serves as a key driver of accountability, efficiency and sustainable value creation in Pakistan's SOEs. The analysis highlights that weak transparency can worsen financial performance, increase fiscal risks and undermine public confidence, while strong governance, timely disclosure and effective monitoring can improve organizational performance and stakeholder trust.

Recent reforms, particularly the State-Owned Enterprises (Governance and Operations) Act, 2023, provide a foundation for strengthening SOE governance. However, effective implementation, institutional capacity and continuous oversight remain essential. Management accountants can also play a critical role through their expertise in performance management, risk management, strategic planning and governance reporting. By strengthening governance frameworks, improving disclosure, adopting digital tools and promoting accountability, Pakistan can build more transparent, financially sustainable and effective SOEs that contribute to public welfare and national development.

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