Pakistan Economic and Social Review
Volume 56, No. 1 (Summer 2018), pp. 47-66

GOVERNANCE AND MANAGEMENT OF STATE-OWNED ENTERPRISES IN PAKISTAN

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Abstract. The article discusses governance mechanisms across state-owned enterprises (SOEs) created under various legal instruments in Pakistan. Additionally, it attempts to compare state control and autonomy of SOEs as provided under various legal instruments in Pakistan. It is a descriptive paper based on secondary data from legal instruments (private and public laws), government reports, company reports and public documents. The paper found that SOEs are created under three broad categories of instruments in Pakistan including public laws, private laws and special instruments of cabinet or government. In terms of legal status, SOEs can be classified into three broad categories including statutory corporations and public companies and attached departments. Corporate governance model is a widely used structural arrangement present in various legal instruments. However, there is variation in the extent to which corporate governance model is adopted under different legal instruments. Differences are also found in state controls and autonomy of SOEs under various legal instruments. The study contributes to the existing literature by examining the differences and similarities in the

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corporate governance mechanisms across SOEs created under different legal instruments. It also lays out agenda for further research in the area by highlighting the gap between SOE governance mechanisms at formal level (supported by legislation) and SOE governance mechanisms in practice (implementation level practices).

Keywords: SOEs, Corporate governance, Public sector reforms, Pakistan, Autonomy

I. INTRODUCTION

The past thirty years have seen an increasing trend towards globalization, liberalization and an enhanced role of private sector. At the same time, it posed challenges for the public sector which included a large number of state-owned enterprises (SOEs). Consequently, there was massive downsizing and privatization of SOEs. However, despite tremendous worldwide efforts towards privatization, public enterprise sector remained a significant contributor in economies of both developed and developing countries (Jadoon, 1994; Khan, 2008; Trivedi, 2008). In Pakistan, SOEs have significant economic presence due to unsuccessful privatization efforts involving procedural complications in addition to many hindering political and social factors (Bokhari, 1998). Moreover, some enterprises could simply not be privatized due to their strategic position in the economy of the country (Khan,2008). Currently, the sheer number of SOEs is quite large in Pakistan not only at national but also at provincial level, therefore, efficient governance and management of SOEs is an important policy concern for the country. On the other hand, in comparison to core public administration activities, arm's length corporate forms have received less attention by researchers globally and especially in Pakistan.

The governments of Pakistan established, privatized or restructured SOEs in different eras in response to the international best practices to ensure effective public service delivery mechanisms dictated by international agencies and forced by economic situation of the country. Under various reform models, the legal forms, number, task and governance mechanisms of SOEs took different shapes resulting in increased fragmentation among SOEs which is less documented. Therefore, studies need to be conducted capturing variations among corporate arrangements in public sector and their outcomes. Hence, it would be significant to classify SOEs in Pakistan in terms of various organizational characteristics including legal-structural forms, corporate governance models, ages and tasks.

Another important consideration, in SOE reforms, is balancing state control and SOE autonomy. Autonomy, to an extent, is explicitly or implicitly recognized when creating SOE as an independent legal body. Placing enterprise decisions outside the sphere of politics and ministerial bureaucracy presumably promotes efficiency of both government and enterprises. Some government direction and control, on the other hand is inevitable, as the government is ultimately responsible for performance of SOEs (Aharoni 1986). Literature, on the subject, indicates that the state-SOE relationship is multifaceted, with considerable variations across the nature of SOEs and their countries of origin (Aharoni 1986). It would be interesting, therefore, to explore the variability of state control and SOE autonomy across SOEs created under different laws in Pakistan. Moreover, it would be significant to provide theoretical explanation of SOE reforms in the context of Pakistan. This paper thus addresses the following research objectives:

- To identify legal-structural forms of SOEs in Pakistan.
- To identify corporate governance mechanisms across SOEs created under various legal instruments in Pakistan.
- To investigate the extent to which corporate governance model is present in various legal instruments in Pakistan.
- To explore the pattern of autonomy and control across SOEs created under various legal instruments.

The paper is divided in four sections. *Section I* reviews literature on theories on governance of SOEs. *Section II* elaborates the methods used for collecting and analyzing secondary data sources. Key findings with respect to legal-structural classifications of SOEs in Pakistan, provisions of corporate governance under various legal instruments and comparison of control and autonomy across SOEs created under different legal instruments are reported in *Section III*. Discussion on the findings is presented in *Section IV* by providing a theoretical explanation of corporate governance mechanisms of SOEs in Pakistan.

II. LITERATURE REVIEW

State-owned enterprise, also called a public enterprise (PE) or a parastatal organization, is defined as an organization established by the government under public or private law having a legal personality with an autonomous or semi-autonomous status. SOE produces/provides goods and services on a full or partial self-financing basis. State has significant control of such entities through full, majority or significant minority shares (Kauzya, 2008). SOEs are distinct from other government ministries and agencies in a way that they do not use general revenues (Rondinelli, 2007) rather they generate all or most of their revenues from sale of goods and services (World Bank, 1995). Thus, SOEs are directly involved in commercial process (Turner and Hulme, 1997). Although SOEs operate with diverse roles in society but there is consensus on the point that SOEs contribute in the government agenda of achieving socio-economic growth (Khan, 2008).

SOE sector has gone through various iterations of public sector reforms under diverse agendas. A central question addressed in these reform agendas is the role and size of government in economy and society. In this regard, state versus market debate has been the central piece of argument among reformers which has resulted in either an *enhancement* or *reduction* in the size and tasks of SOEs under diverse reform agendas. However, the significant contribution of SOEs in the economies, of both developed and developing countries, remains unchanged. Therefore, improving the performance of SOEs, through good governance mechanisms, emerged as a crucial theme. Moreover, structure and management of SOEs is an important policy concern whereby *balancing state control* and *organizational autonomy* remains a big challenge for reformers. One of the most popular reform intervention for developing country governments is the adoption of corporate governance model in state-led enterprises for better outcomes in-terms of SOE *performance*, *quality*, *accountability* and *controls*.

Corporate governance broadly refers to the processes, mechanisms and structures for decision making, accountability, controls and interaction among key actors at the top levels of the organization (Monks and Minow, 1995). Daily, Dalton, & Cannella (2003) define corporate governance as the process of determining the deployment of organizational resources and resolving conflicts among various participants in the organization. The primary concern is to resolve issues arising from interaction and relationship of three key actors including the Board of Directors, senior management and owners. However, many other actors are also involved which include creditors, employees/labor, advisors, suppliers, members of the community and even government and regulatory authorities. Carino (2008) has identified key elements of the corporate governance model which include *registration and state recognition, separation of policy from administration, collective leadership through a board, voluntary service in the board, implementation primarily by paid staff* and *formal accountability.*

III. METHODS

This is a descriptive paper based on secondary data obtained from legal instruments, public policy documents and companies' reports. All SOEs are included in the population of the study for examining corporate governance mechanisms, state controls and autonomy of SOEs. The corporate governance models and control and autonomy of SOEs are examined at formal level through relevant provisions provided in the public/private laws examining contents of various legal instruments. For this purpose, 5 legal instruments are taken as a sample which include (i) Companies Act, 1913; (ii) Companies Ordinance, 1984;(iii) Act, 1956 (iv) PBC Act 1973 and (v) PNSC's Ordinance, 1979.

IV. FINDINGS

CLASSIFICATION OF SOES ACCORDING TO TASKS

According to the legal and functional classification of federal organizations by National Commission for Government Reforms (NCGR, 2008), there are total 99 state-owned enterprises in Pakistan. These SOEs are engaged in various tasks which are broadly categorized in Table-1. There are total of 21 financial institutions, 25 business and industrial SOEs and 53 service-providing SOEs.

TABLE 1

Classification of SOEs According to Tasks

Nature of SOE	No of SOEs
Service providing SOEs	53
Business and Industrial SOEs	25
Financial Institutions	21
Total	99

LEGAL- STRUCTURAL CLASSIFICATION

Legal status refers to whether the organization is setup under a private law (company law/ordinance), a public law or through another special instrument. Table 2 and Table 3 enumerate the SOEs created under the above mentioned legal instruments.

TABLE 2

Legal Classification of SOEs in Pakistan

SOEs under various legal instruments	Total number of SOEs
SOEs created under public laws	10
SOEs created under private laws	84
SOEs created under special instruments	05
Total	99

Table 2 summarizes total number of SOEs under three major categories: SOEs created under public law, private law and special instrument. There is a total of 10 SOEs which are created under public laws including Pakistan International Airlines, Pakistan Broadcasting Corporation, Pakistan National Shipping Corporation, Pakistan Post Office Department, Pakistan Insurance Corporation, Heavy Industries Taxila, Equity Participation Fund, State Life Insurance Corporation, National Insurance Corporation and Pakistan Aeronautical Complex Board. All the SOEs created under public law fall under the category of statutory corporations except one i.e. Pakistan Post Office Department which is an attached department.

SOEs created under Company Act/Ordinance have the status of Public Companies. The third category refers to SOEs created under an act of Cabinet or through an executive order or some other legal instrument. A total of 5 SOEs belong to this category including Afghan Trade Development Cell, Pakistan Housing Authority and Northern Areas Transport Corporation.

Table 3 lists down various private and public laws/legal instruments under which SOEs are created in Pakistan.

TABLE 3

SOEs Under Various Legal Instruments

	Total number of SOEs
SOEs Created under private law	
Companies Ordinance, 1984	72
Companies Act, 1913	12
SOEs created under public law	
Act, 1956	1
PBC Act, 1973	1
Pakistan Insurance Corporation Act, 1952	1
HIT Board Act, 1997	1
Pakistan Aeronautical Complex Board Ordinance, 2000	1
EPF Ordinance, 1970	1
PNSC's Ordinance, 1979	1
Life Insurance Nationalized Ordinance, 1972	1
NICL Act, 1976 (NIC Reorg. Ord.-2000)	1
Ordinance, 2002	1
SOEs created under Cabinet resolution	1
SOEs created under other instruments	4
Total	99

The majority of SOEs are created under private law having the status of public sector companies (84.8%). A total of 10 SOEs are created under public law: Pakistan National Shipping Corporation (PNSC) is created under PNSC's Ordinance, 1979; Pakistan Post Office Department is created under Ordinance, 2002; Pakistan International Airlines (PIA) is established under Act, 1956; Pakistan Broadcasting Corporation (PBC) is created under PBC Act, 1973; Heavy Industries Taxila (HIT) is created under HIT Board Act, 1997; Equity Participation Fund (EPF) is created under EPF Ordinance, 1970; National Insurance Corporation Ltd. (NICL) is created under NICL Act, 1976; Pakistan Housing Authority (PHA) is established under Cabinet Division's Resolution and Northern Areas Transport Corporation (NATCO) is established under an executive order of government.

CORPORATE GOVERNANCE OF SOES

The analysis of corporate governance of SOEs is based on data obtained from formal official documents. Key indicators for examination of governance mechanisms include *presence of governing body*, *appointing authorities of Chairperson of the Board and Managing Director*, *composition of the Board of Directors*, *appointment of Auditor* and *separation of Chairperson and managing director positions*. Table 4 summarizes sections and clauses pertaining to governance mechanism in different legal instruments.

BOARD OF DIRECTORS

The presence and composition of governing board is the most important element in examining model of corporate governance in SOEs. For this purpose, indicators include presence of board, number of directors required, appointment of directors, composition of board members. From Table 4 it is evident that a separate board is present under all legal instruments. According to section 84A of Companies Act, 1913, it is obligatory for every company to have at least 3 directors. This limit is increased up to at least 7 directors in Companies Ordinance, 1984 (Section, 174). The directors are to be elected in Annual General Meeting while the government representation in the board depends on government's shareholding in the SOE.

TABLE 4

Provisions for corporate governance in SOEs under various legal instruments

	No. of Directors	Appointment of Directors	Appointment of Chairman of Board	Appointment of CEO/MD	Separation of chairman and CEO/MD	Appointing authority for Auditors
Companies Act, 1913	Minimum 3 directors (Sec: 83a)	Elected by shareholders in AGM [1] (Section: 83b)	Elected by Directors (Schedule IV, Sec. 57)	MD appointed by directors (schedule 1, sec. 72)	No specific provision	AGM/ Federal Government (sec:144)
Companies Ordinance, 1984	Minimum 7 Directors (Sec: 174)	Elected by shareholders in AGM (Section: 178)	Elected by Directors (Schedule I; Sec:27)	CEO appointed by directors (section:198, 199)	Yes (sec: 187 & 201)	AGM (section: 252)
Act, 1956[2]	9 Directors (Sec : 6-1a)	7 Directors appointed by Federal Government; 2 Directors elected by shareholders (Sec:6-1a,b & c)	Appointed by Federal Government (Sec: 6-1a)	MD appointed by Federal Government (sec : 6-1 c)	Yes (sec: 8-1)	Federal Government (Sec.16 -1)
PBC Act [3]1973	8 Directors (Sec 2)	Appointed by Federal Government (Sec 2)	Appointed by Federal Government (Sec 2-a)	Director General appointed by Federal Government (Sec 2-b)	Yes (Sec 2 -b)	No specific provision
PNSC's Ordinance, 1979[4]	7 Directors (Sec 14-a,b)	5 Directors appointed by Federal Government; 2 elected by shareholders (Sec 14-a,b)	Appointed by Federal Government (Sec 18-1)	No specific provision	No specific provision	AGM Sec 30)

[1] Annual General Meeting

[2] The SOE created under Act, 1956 is Pakistan International Airlines

[3] The SOE created under PBC Act 1973 is Pakistan Broadcasting Corporation

[4] The SOE created under PNSC's Ordinance 1973 is Pakistan Natio`nal Shipping Corporation

According to Act 1956 (for Pakistan International Airlines), the number of directors is fixed (i.e. 9 directors). *Seven* directors, including the Chairperson, are appointed by government and *two* directors are elected by shareholders other than the government. Hence government representation in the governing board of Pakistan International Airlines is 78%. Almost similar provision is provided in PNSC's Ordinance, 1979 (for Pakistan National Shipping Corporation) where out of a total of seven directors, government is authorized to appoint five and the remaining two directors are elected by shareholders other than government. According to PBC Act, 1973 (for Pakistan Broadcasting Corporation) all directors including the Chairperson is appointed by the federal government. Similarities as well as differences can be drawn from the above discussion. The provisions are almost the same (except minimum number of directors) in case of Companies Act, 1913 and Companies Ordinance, 1984 (both are common laws). Similarly, the other three instruments that are dealing with the establishment of corporations also have clauses that bear more similarities than differences.

APPOINTMENT OF CHAIRMAN AND CEO/MD

Chairman of the Board is elected by Directors in case of Companies Act, 1913 and Companies Ordinance, 1984, whereas in all the other three instruments, the Chairman is appointed by the federal government. The difference in the provisions of legal instruments can also be seen in the case of appointment of CEO/ Managing Director. Under private laws (i.e. Companies Act, 1913 and Companies Ordinance, 1984) MD/CEO is appointed by Directors whereas in public laws MD/CEO is appointed by the federal government. It has been highlighted before that organizations established under private law have the status of public sector companies, whereas organizations established through a special public act or ordinance are statutory corporations. The analysis of the provisions pertaining to Board composition, appointment of Chairman and appointment of Managing Director (MD)/Chief Executive Officer (CEO) indicate that governance mechanisms are different in case of public sector companies and statutory corporations. In corporations, legal instruments authorize the federal government to appoint Directors, Chairmen as well as Managing Directors. Hence, government has direct control in management and policy matters of such enterprises.

In case of public companies, only the minimum number of required directors is specified in law. The size and composition of the governing board of each SOE is specified in Articles of Association of that SOE. Government's control depends on government's shareholding in the company which also determines whether the Chairman is nominated by the government or not and the number of ministerial appointment of members of the Board of Directors. Government's shareholding varies between 25% to 80% which in turn determines the extent of influence the governments can exercise in the affairs of SOE. However, this influence is exercised indirectly through its representatives in the Board of SOE in question.

SEPARATION OF POLICY FROM ADMINISTRATION

In order to separate policy from administration, the role of board and executive directors should be separated. A single person should not hold the position of both the Chairman of the board and CEO/MD. The board should be responsible for policy making and CEO/MD should be responsible for policy implementation. There is no specific provision regarding separation of chairman of the board and CEO/MD in two legal instruments (i.e. Companies Act, 1913 and PNSC's Ordinance, 1979). According to Companies Ordinance, 1984, the Board of Directors cannot hold the position of Executive Directors in the company. Corporate Governance Regulations (2012) of Security and Exchange Commission of Pakistan (SECP), contain specific provision pertaining to this separation of positions (Section: 4). PIA's Act, 1956 and PCB Act, 1973 provide specific provisions that chairman and CEO/MD positions will be held by separate individuals.

APPOINTMENT OF AUDITORS

Auditors are appointed in Annual General Meeting (Section 144 of Companies Act, 1913; Section 252 of Companies Ordinance, 1984 and Section 30 of PNSC's Ordinance, 1979) which otherwise can also be appointed by the federal government. According to PIA's Act, 1956, auditors are appointed by Federal Government in consultation with Auditor General of Pakistan who in turn can also direct the auditors.

STATE CONTROL AND SOE AUTONOMY IN PAKISTAN

State control mechanisms are examined through the provisions related to government representatives in the board of SOE, auditing mechanisms and reporting systems in legal instruments. SOE's autonomy is examined with respect to managerial autonomy and policy autonomy of SOE being provided in law. Table 5 contains specific provisions under different legal instruments in this regard.

TABLE 5

Provisions for Autonomy of SOEs Under Various Legal Instruments

	HR autonomy	Policy autonomy	Financial autonomy
Companies Act, 1913	Yes (Schedule:1,sec.71 ,72)	Yes (Schedule:1, sec.71,72)	Yes (Schedule: 1,sec.71,72)
Companies Ordinance, 1984	Yes (Sec.196)	Yes (Sec. 196)	Yes (Sec. 196)
Act, 1956	Yes (Sec.10)	Partial (Sec. 29,30)	Partial (Sec.15)
PBC Act 1973	Yes (Sec.1)	Yes (Sec 3-a)	Yes (Sec 3-a)
PNSC's Ordinance, 1979	Partial (Sec 6 & 21 & 13-b)	Partial (Sec 6 & sec 13- B)	Partial (Sec 6 & sec 13-B)

HRM AUTONOMY

All the legal instruments have provisions regarding Board's power for strategic and operational HR decisions except PNSC's Ordinance, 1979. According to PNSC's Ordinance, although Board is empowered to take human resource (HR) decisions but federal government can intervene and direct such decision which the corporation is bound to follow. With this exception, in all other corporations and public companies, the Board of Directors, without prior consent of ministers and departments, can formulate and change general policies of personnel including the level of salaries, conditions for promotion, performance evaluation system, recruitment policies and procedures etc. Regarding operational HR management, the board has great autonomy regarding individual decisions. The Boards are empowered to decide remuneration packages for their members and to recruit personnel to the executive grades. However, key positions are appointed or nominated by the federal government including Chairman of the Board, Chief Executive Officer/Managing Directors depending on government's shareholding in the particular enterprise.

FINANCIAL AUTONOMY

In case of companies incorporated under company law financial activities are managed by the Board of Directors and the government can interfere to the extent that it has representation in the board. Accordingly, the budgets are approved by the respective Boards of Management. Public companies generally determine the rates, fees and product prices and do not need to seek approval by the government. In some cases of national importance, however, the government fixes the relevant tariffs. Furthermore, SOEs can also arrange foreign loans only through the government. In case of statutory corporations, financial autonomy is partial. The Board has been provided with financial powers, but the government can also impose certain conditions.

POLICY AUTONOMY

Autonomy to take strategic and policy decisions is also provided to the board of directors in case of companies incorporated under Company Law. The extent of ministry/department interference in decision making process depends on the number of shares the government holds in a particular enterprise. However, in case of statutory corporations (PIA and PNSC) government can exercise direct control.

AUDITING MECHANISMS

In case of statutory corporations, accounts are audited by at least two auditors holding certificate under section 144 of Companies Act, 1913. Auditors are appointed by Federal Government in consultation with Controller Auditor General of Pakistan. Auditor General can give directions to the auditor whereas the statement of audited accounts is submitted to Federal Government who presents it before the National Assembly. In case of public companies, incorporated under private company law, accounts are audited by the private auditors.

REPORTING SYSTEMS

SOEs must provide quarterly, half yearly and annual reports to respective ministries who are responsible for monitoring performance of SOEs. Periodical reports on the operations and working of public enterprises generally cover the areas of financial returns, physical production, industrial relations, pricing decisions or other market developments, and completion of projects. These reports are discussed between the top management of the enterprise and government representatives in the governing board of enterprise.

The representatives of the concerned ministry on the governing board submit operating reports as required to that ministry, and to the Minister. Such reports may also be sent to the Ministry of Finance and Economic Affairs or Planning Commission if so required. These ministries also obtain reports regarding the generation of internal funds and attainment of planned targets. The annual report of the relevant ministry contains information about the functioning of SOEs under the administrative control of the respective ministry.

V. DISCUSSION

This research study attempts to articulate and describe major classifications of SOEs, the governance mechanisms in SOEs as provided in laws, and the autonomy and control patterns of SOEs. The following key themes emerged from the above findings of the study:

SOEs can be classified according to task or legal-structural forms. As per *tasks*, there are three broad categories of SOEs which include *service delivery SOEs, business and production SOEs and financial institutions*. On *legal* basis, SOEs can be classified in *three* forms which include *attached departments, statutory corporations* and *public companies*. The most common form of SOE is public company that are created under private law (84 out of 99 SOEs belong to this category). There are nine (9) statutory corporations (created under public laws) and only one (1) attached department.

Key elements of corporate governance model identified by Cario (2008) are present in all legal instruments with a few exceptions. *Firstly,* all SOEs have separate legal status through creation under public law, private law or special instruments. Majority of SOEs (almost 84%) are created under private law (i.e. Companies' Ordinance, 1984) having the status of public sector companies. Others, created under an Act of Parliament or Ordinance, have separate legal status except one attached department (i.e. Pakistan Post Office Department). It indicates that majority of SOEs are working as autonomous agencies through their legal independent status. *Secondly,* collective leadership through a board is present in all instruments. The presence of board is again an indicator of SOE's distance from ministry. Through creation of board, it is expected that SOEs are operating at an arm's length from ministry. Board members can serve as trustees of government to ensure performance and efficiency of SOE. *Thirdly,* separation of policy from administration is also found in majority of the legal instruments examined. There is separate provision that CEO cannot hold the position of Chairman of the Board in all instruments except one (i.e. PNSC's Ordinance, 1979). This provision is an important element of corporate governance model. In order to separate policy from administration, the role of board and role of executive directors should be separate which is not possible if CEO also acts as Chairman of the Board. Companies Ordinance of 1984, PIA Act, 1956 and PCB Act, 1973 provide specific provision that Chairman and CEO/MD will be separate persons. In case of PNSC's Ordinance, 1979 no such specific provision was found. Majority of the examined instruments support the presence of this element of corporate governance model. *Fourthly*, appointment of Chairman and CEO by the Board is also present but only in case of private law. In all three public laws, Federal Government is authorized to appoint Chairman of the Board and also the CEO/MD. Chairman of the Board and CEO/MD are very influential positions for policy making and execution respectively. Therefore, it is important to note whether these appointments are made by collective leadership of the Board members or directly by Federal Government. Companies' Ordinance, 1984 provides this authority to the Board, whereas public laws authorize federal government for appointment of these positions. Hence, Companies Ordinance, 1984 provides more autonomy in policy making and implementation. On the other hand, government can exert more control in statutory corporations (created under public laws) by appointing their representatives on these crucial positions. *Lastly,* provisions for formal accountability are present in all instruments in form of auditing mechanism. Accordingly, all SOEs are subject to independent audits. The above discussion indicates presence of corporate governance model in all legal instruments with a few exceptions. SOE's autonomy and state control varies across various legal-structural types of enterprises. Two major legal types are statutory corporations (created under public laws) and public companies (created under private laws). SOE autonomy is less in case of statutory corporations and more in public companies. State exercises its control in both strategic and operational matters either directly or indirectly through its representation in the Board. In all forms, SOEs are accountable to government through ministerial hierarchies and other regulatory/ controlling bodies and through various audits and reporting mechanisms.

Corporate governance model is present in all different types of laws irrespective of private laws and public laws. Adoption of corporate governance model can be explained in light of institutional theory which argues that most structures and routines are adopted to gain legitimacy in organizational environment. Therefore, certain governance mechanisms (such as corporate governance model) may be adopted for the expected industry or macro level business norms and best practices (Meyer and Rowan, 1977). Due to adoption of similar practices there are more and more similar mechanisms, processes or structures. Corporate governance model is being propagated by reformers for better governance mechanisms, accountability and controls of SOE (OECD, 2015). International best practices for effective public services are being adopted in Pakistan under international trends for gaining legitimacy in environment.

This study has examined governance mechanisms and autonomy of SOEs on formal level as provided in legal instruments. At formal level, all legal instruments provide strategic and operational autonomy to SOE and separate status to operate independently with less government interference. Creation under separate legal instrument inherently provides SOE an autonomous status from government. Provisions for the elements of corporate governance mechanism further strengthen the position of SOE to operate independently. However, some state controls are inevitable as government is ultimately responsible for SOE's performance. Moreover, in the context of Pakistan, the centralizing tendency in public sector also raises questions to the extent to which SOE's are operating autonomously as provided in legal instruments. Therefore, an extension of this study would be examination of governance mechanisms and autonomy of SOE both on formal (in legal instruments) and real (in practice) level and finding gaps between them.

VI. CONCLUSION

The study examines corporate governance mechanisms of different types of SOEs created under various legal instruments in Pakistan. Two major legal types were statutory corporations (created under public laws) and public companies (created under private laws). Statutory corporations and public companies differ with respect to board compositions, separation of policy and administration activities, appointing authorities of Board of Directors and Chief Executive Officers. State control and enterprise autonomy also vary under different legal instruments in Pakistan whereas SOE autonomy is less in statutory corporations and more in public companies. The study also examines governance mechanisms, SOE autonomy and state control at formal level examining the provisions in legal instruments. An important extension of this study would be examination of governance, control and autonomy on both formal and real level and finding any implementation gaps between them.

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