The Governance Brief

ISSUE 47 • 2022

Privatization of State-Owned Enterprises

A Summary of Experience

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1. Introduction

For decades, governments have privatized state-owned enterprises (SOEs) to improve their performance and lower fiscal risk. SOE performance had often been disappointing. Reforms for SOEs attempted to improve their financial and operational performance and to operate on the strength of their balance sheets. But they rarely made profits or paid dividends. Measures were taken to reduce the flow of public funds to SOEs, separate commercial and noncommercial objectives, obtain commercial financing, strengthen oversight and monitoring, improve SOE boards and management, and minimize political interference. Some actions met with success, but many did not.

Attempts made since the 1980s and early 1990s to impose hard budget constraints, expose SOEs to competition, and introduce institutional and managerial changes yielded limited improvements in performance. Some efforts were promising but proved unsustainable. Hence, by the 1980s, privatization emerged as a tool to reduce the budgetary burden of SOEs and improve performance and access to investment capital for modernization and expansion of SOEs.

Privatization from the 1980s onward did reduce losses and improve performance, but the gains were not always widely shared, and the costs to certain groups were high. Overall, data confirmed that privatization can improve financial performance. However, it did not work as well for all sectors, and in many cases, much of the gain seemed to go to new owners, while losses were suffered by workers, consumers, and sometimes other stakeholders. These were closely linked to legitimate concerns about opacity and corruption in the privatization process.

Over time, these concerns led to the growing recognition of the need to involve the private sector as a tool to help improve performance, reduce political interference, improve financial discipline, and professionalize SOE operations. When correctly conceived and implemented, privatization is expected to foster efficiency, encourage investment along with new growth and employment, and free public resources for investment in infrastructure and other sectors of the economy. At the same

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time, privatization is not a replacement for other aspects of private sector development. In many instances, privatization may be less important for the growth of the private sector than the emergence of new private businesses. In addition, alternative approaches to SOE oversight and governance have developed that more consistently improve SOE performance short of full privatization.[1]

This paper reviews the experience on privatization from the 1980s onward. Privatization can improve efficiency and financial performance, especially in more competitive sectors. Privatization has also been successful in a range of context and in a number of countries. However, for privatization to work, it must be approached carefully, and full privatization may not always be the best solution for a particular SOE.

In this paper, Section 2 summarizes trends in privatization over the years. Section 3 discusses the rationale for privatization. Section 4 discusses the objectives and strategy for privatization. Section 5 focuses on implementation issues. Section 6 summarizes the conditions for success. Section 7 offers concluding remarks. The paper draws on decades of experience with privatization. Additional references can be found in the Further Reading section.

2. Privatization Trends: A Historical Perspective

Privatization started slowly through most of the 1980s and 1990s. There were only a few transactions a year in the 1980s.[2] The number of transactions peaked in the mid-1990s and declined after the 1997 Asian and 1998 Russian financial crises. In this period, global proceeds totaled $850 billion, growing from $30 billion in 1990 to $145 billion in 1999.[3]

The early to mid-2000s saw near record privatization levels in a broad range of sectors, including infrastructure and banking. Starting in 2001, privatization proceeds continued to pick up, especially in the telecommunications, energy, and finance sectors, especially in the Czech Republic, India, the People's Republic of China (PRC), and Saudi Arabia. While some 120 countries engaged in privatization, proceeds were concentrated in just 10. Transaction size also increased as larger companies were sold. Czech Republic, Poland, and the PRC together accounted for 40% of total proceeds from 1990 to 2003.

Regional trends between 1990 and 2003 showed that proceeds were highly concentrated in a few countries in three regions[4]:

- Latin America was the biggest contributor, raising nearly 50% of total proceeds from 1,300 transactions, though its share of the total proceeds declined through the decade, largely due to a drop-off of activity in Argentina and Mexico. Brazil remained a major privatizer, with large transactions in energy and finance.
- Europe and Central Asia saw rapid increases in privatization from 1990, becoming the leading region by the early 2000s. Small-scale privatization in the early to mid-1990s was followed by large transactions in major sectors such as telecommunications, power, and oil and gas in countries such as Hungary and the Russian Federation. At the same time, thousands of enterprises were transferred to the private sector using small-scale or voucher privatization as well as management or employee buyouts.
- Countries in East Asia also had rapid growth in privatization proceeds, with the PRC accounting for most of this increase. In the Middle East and North Africa, activity was concentrated in Egypt, mainly in the manufacturing sector, and in Morocco that had transactions in the energy, banking, and telecommunications sectors.
- As for the other regions, South Asia largely had minority share sales in the banking and oil and gas sectors (India), and in telecommunications sectors (Pakistan). Sub-Saharan Africa had the third-highest number of transactions, mostly from smaller sales. Most of the revenues in the region were from a few large transactions in

[1] Learn more about the modern approach to SOE reform: D. Detter. 2019. Public Commercial Assets: The Hidden Goldmine. *The Governance Brief*. Issue 40. Manila: Asian Development Bank (ADB); and ADB. 2020. *Guidance Note on State-Owned Enterprise Reform in Sovereign Projects and Programs*. Manila.

[2] S. Kikeri and J. Nellis. 2004. An Assessment of Privatization. In P. Lanjouw, ed. *The World Bank Research Observer*. 19 (1). pp. 87–118.

[3] S. Kikeri and J. Nellis. 2002. Privatization in Competitive Sectors: The Record to Date. *World Bank Policy Research Working Paper*. 2860. Washington, DC: World Bank.

[4] S. Kikeri and A. F. Kolo. 2005. Privatization Trends and Recent Developments. *World Bank Policy Research Working Paper*. 3765. Washington, DC: World Bank.

Ghana (mining), South Africa (telecoms, steel, and petroleum), and Nigeria (oil fields).

A recent report by the Organisation for Economic Co-operation and Development (OECD) indicated that privatization trended upward following the 2008 global financial crisis.[5] "Privatisation revenues rose from USD110 billion in 2008 to USD266 billion in 2016 .... This development was accompanied by a marked regional shift."[6] In 2008, 25 members of the European Union accounted for over half of all privatization revenues, but the share dropped down to just over 14% in 2016.

Most of the shift was due to growing privatization in the PRC, where in 2015, divestment revenues reached "USD173 billion and recorded more than 40 individual transactions exceeding USD 1 billion each."[7] Most of the sales were in the financial and manufacturing sectors, mostly through initial or secondary share offerings in stock markets. In 2016, however, most transactions took the form of private placements. The sectoral distribution tilted toward the financial and real estate sectors which accounted for 47% of the total revenues. Other important sectors included public utilities (26%) and transportation (8%).[8]

While privatization has slowed down since 2008, it has not stopped. Motives for privatization have been varied:

- The rationale for ownership is no longer fulfilled (e.g., Latvia, Norway, Poland, Sweden, the United Kingdom [UK], and other European countries);
- To improve market structures and economic efficiency (e.g., Czech Republic, Hungary, Italy, Japan, and Türkiye);
- To raise fiscal resources (e.g., Estonia, France, Italy, Lithuania, Sweden, and Türkiye);
- To improve corporate performance (e.g., Denmark, Germany, Italy, and the UK);
- To reduce the state's role in the economy (e.g., Kazakhstan, Poland, and Türkiye); and
- The ownership of SOEs are intended to be temporary (e.g., the Netherlands and the UK).

These motivations mirror those from before 2008. However, in many countries, they reflect ongoing and wider SOE reform and have taken place in the context of an SOE ownership policy.[9]

Other countries have continued to privatize on a more ad hoc basis. Budgetary impacts are often cited, along with the need to improve the functioning of privatized companies and the functioning of the economy. Deepening the stock markets through SOE listings may also be an objective. In some countries, such as Argentina, SOEs that were no longer contributing to controlling natural resources, remedying market failure, and promoting select industries and activities were considered for privatization.

SOEs continue to play an important role globally. SOEs in Europe and Central Asia account for almost half of all public sector employment. In many countries, SOEs have largely exited from competitive sectors, such as manufacturing, but remain important providers in network industries such as energy and services sectors such as railways and municipal utilities. Notable exceptions remain, with SOEs present in competitive sectors in some higher-income countries such as Hungary, Poland, and Slovenia. SOEs also continue to play a role in the manufacturing sectors in middle- and lower-income countries such as Azerbaijan, Belarus, and countries in Central Asia, as well as India and the PRC. State presence is often justified by the need to address market failure. In the case of natural monopolies, the cost of building the necessary infrastructure may be so large that private firms are reluctant to enter the market or unable to achieve efficiencies of scale.[10]

State intervention does not always take the form of state ownership of SOEs. Services are often provided by private companies, with government subsidies and public sector obligations ensuring universal coverage. Fiscal transfers, targeted investment, and other industrial policy measures can also be considered. Alternative solutions involve the private provision of services under a public–private partnership (PPP), which requires a certain level of administrative capacity. For these reasons, SOEs tend to play a greater role in countries with more limited capacity.

In sum, privatization had been the main option for commercial SOEs in various regions in the 1990s

[5] OECD. 2018. *Privatisation and the Broadening of State-Owned Enterprises: Stocktaking of National Practices*. Paris.

[6] Footnote 5, p. 3.

[7] Footnote 5, p. 7.

[8] Footnote 5, p. 9.

[9] OECD. 2021. *Ownership and Governance of State-Owned Enterprises: A Compendium of National Practices*. Paris.

[10] European Bank for Reconstruction and Development (EBRD). 2020. *EBRD Transition Report 2020-21: The State Strikes Back*. London. November.

The 2008 financial crisis, however, led to a gradual transition away from straight privatization.

and 2000s. The 2008 financial crisis, however, led to a gradual transition away from straight privatization to mixed ownership arrangements, especially in larger and more complex SOEs, and to the deepening of capital markets through initial public offerings of SOEs. Enhancing the corporate governance of large SOEs in infrastructure and other sectors also became a priority to attract private investment.

As more and more complex SOEs are being reformed, the approach has shifted from straight privatization to a newer approach of maximizing overall SOE performance, especially in the case of infrastructure SOEs and other complex SOEs. The goal is to have a more coordinated and connected approach to the public and private sides of development that considers the spectrum of private and public solutions, taps a variety of financial options, incorporates global lessons and good practices, and addresses equity and affordability for consumers. Finding the right mix of public and private funding is key.

3. Rationale for Privatization

As privatization has slowed down, other reforms have brought some improvements in performance. "Available evidence suggests that the financial performance of many SOEs and their contribution to the state budget have improved in the past decade as a result of budgetary reforms, restructuring measures, improved governance practices, and exposure to greater competition and capital market discipline."[11] In the PRC, for example, SOE profitability has increased since the expansion of competition, corporatization, and the establishment of an institutional framework to exercise authority over SOEs; the reported average return on equity rose from 2.2% in 1996 to 15.7% in 2007, before slipping back to 10.9% in 2009. In India, the 24 largest nonfinancial SOEs generated a 17% return on equity in 2010, and profits almost doubled in 5 years. In Indonesia, following restructuring and governance improvements, SOE profits grew at a compound annual rate of 18.9% in the late 2000s.[12]

However, SOE performance is not uniformly positive. Government transfers and subsidies to SOEs have posed, and continue to pose, a burden on the budget and the banking system, absorbing scarce public resources. Despite concerted efforts, the performance of many SOEs has been disappointing. When protected by subsidies, overextended and poorly performing SOEs have slowed private sector development. Governments may also take other steps to protect SOEs and poor service delivery by state-owned utilities, and other SOEs can also be a drag on private sector development.

There are many reasons for poor SOE performance. SOE management may not perceive that they will be rewarded for better operational performance, and ongoing subsidies will reinforce this belief. An unlevel playing field with the private sector will further shield SOEs and their management. At the same time, SOEs have often been burdened with noncommercial objectives such as employment creation and regional development, making further subsidies necessary. Behind this mix of privileges and hindrances is the same force: political inference in the operations of SOEs, and a tendency for those in government to see them as tools for various purposes, not as efficient sources of service delivery. Agency and other corporate governance problems found in all large organizations compound these problems.[13]

During the 1980s and early 1990s, many countries adopted reform programs short of ownership change to improve performance. As noted at that time by the World Bank: "These included: exposing SOEs to domestic and external competition and ending preferential treatment in order to create a level playing field; eliminating easy SOE access to credit from the budget and banking system and instituting a hard budget constraint; increasing the autonomy of SOEs and freeing managers from government interference in day-to-day management; and developing institutional mechanisms, such as contract plans and performance evaluation systems, to hold managers accountable for results. Assessments showed that some performance improvements took place but reforms were difficult to implement, often fell short in implementation, and were hard to coordinate and often the entire reform program was not enacted In many countries, despite persistent SOE reforms, overall performance remained disappointing."[14]

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[11] World Bank. 2014. *Corporate Governance of State-Owned Enterprises: A Toolkit*. Washington, DC. p. 9.

[12] World Bank. 2014. *Corporate Governance of State-Owned Enterprises: A Toolkit*. Washington, DC.

[13] S. Kikeri, J. Nellis, and M. Shirley. 1992. *Privatization: The Lessons of Experience*. Washington, DC: World Bank; and ADB. 2021. *Guidance Note on State-Owned Enterprise Reform in Sovereign Projects and Programs*. Manila.

[14] S. Kikeri, J. Nellis, and M. Shirley. 1992. *Privatization: The Lessons of Experience*. Washington, DC: World Bank. p. 17. More recent SOE reform has been more successful. Also refer to footnote 1.

The high costs and poor performance of SOEs led many governments to turn to privatization as a solution. New private owners were expected to increase SOE efficiency and decrease financial demands from the government. Privatization was also seen as a tool to encourage and facilitate private sector investment, generate revenues for the state, reduce the administrative burden on the state, and distribute ownership more widely to the population.

Privatization programs were launched in industrial and developing countries, in former socialist economies in Eastern Europe, as well as in Latin America, with Chile and Mexico making up for the bulk of the activity. Privatization also took place in Argentina, Jamaica, Venezuela, and other countries, including key sectors such as telecommunications, power, and water supply. Data showed that privatized firms exhibited "higher profits, faster growth, and greater cost containment. Improved management, autonomy from political interference, and access to investment capital" were also important factors.[15]

By the mid-2000s, privatization had helped reduce the government's role in many countries and regions. The early to mid-2000s saw near record privatization levels in a broad range of sectors, including infrastructure and banking. These efforts helped improve productivity, profitability, and return on sales. In Mexico, the share of SOEs in gross domestic product (GDP) declined from nearly 15% in 1982 to less than 5% in 2001. In Europe and Central Asia, the private sector's share of GDP surpassed 50% in 22 of the region's postcommunist countries by 2003—up from only nine countries in 1994. In the PRC, the state share of GDP dropped dramatically, from 80% in 1978 to less than 20% in 2003.[16]

Divestiture had been the main option for commercial SOEs up until the late 2000s, but the 2008 global financial crisis led to a transition away from straight privatization to enhancing corporate governance and other steps to improve SOE performance, including through listing and other engagement with the private sector. Key challenges that needed to be addressed included weak legal and regulatory frameworks, corruption in the privatization process, and the complexities of privatizing large and complex SOEs. In such SOEs, the focus going forward is on recombining tools and approaches to help strengthen country preparedness for privatization, enhance capacity, reduce corruption, and address the complexity of development challenges.

4. Objectives and Strategy for Privatization

A. Defining Objectives

Governments have turned to privatization for many reasons. Governments have privatized to increase the size and dynamism of the private sector, distribute ownership more widely in larger SOEs, and encourage and facilitate private sector investment for modernization and rehabilitation. There is also a political economy motivation where politically connected elites are able to get access to privatized state assets as a form of wealth transfer. To avoid such outcomes, privatization programs should clearly state the main objectives.

The main objectives of privatization are typically to improve efficiency, generate revenue, and develop capital markets. These goals may and often do conflict, and the aim is to balance conflicting objectives.

- Improve efficiency. Transference of ownership can lead directly to higher productivity for the SOE. This is most likely to happen, and society is most likely to benefit from this higher efficiency, when the privatization enhances competition and does not create or preserve a monopoly. Potential buyers may seek de facto market protection, undermining the rationale for the privatization. For naturally monopolistic sectors, the gains from privatization may be limited, and post-privatization regulation will be important for those gains to be realized.
- Generate revenue. While this is a legitimate goal, revenue generation should not be driven by short-term considerations and should not come at the cost of efficiency. Sales made in crisis circumstances to fill immediate revenue needs may forgo much larger returns after the crisis abates. Revenue maximization may also lead to the granting of monopoly or other privileges that undermine efficiency.

[15] S. Kikeri, J. Nellis, and M. Shirley, 1992. *Privatization: The Lessons of Experience*. Washington, DC: World Bank. p. 24.

[16] S. Kikeri and A. Kolo. 2006. State Enterprises: What Remains? *Viewpoint Public Policy for the Private Sector Note.* No. 304. Washington, DC: World Bank.

Privatizing noncompetitive SOEs successfully requires a number of steps.

Jamaica, for example, privatized its telephone company in the early 1990s with a 25-year concession on local and competitive international services and with a guaranteed rate of return arrangement that exceeded industry norms and provided few incentives to reduce costs. This created short-term revenue, but at a higher economic cost. Other countries at that time opened telecommunications to greater competition and used incentives to expand coverage and lower costs.[17] Transparent auction procedures should be used for the sale of any major SOE.

- Capital markets development. The listing and sale of shares in SOEs has helped develop capital markets in many countries, and former SOEs are often one of, if not the largest, sources of shares for the public to invest in. SOEs are also often major issuers of bonds. In less-developed capital markets, issuing SOEs should seek to ensure high levels of both financial viability and corporate governance, setting an example for and going beyond nascent market practice. In more developed markets, SOEs should aim for at least best local practice.[18] Privatizing without sufficient market information and regulation may exploit first-time investors. A sale that goes bad can lead to pressure for government bailouts or call into question the creditability of future sales (footnote 17).

B. Privatization Strategy

Privatization strategy depends on the asset and market conditions. Privatization will be easier and more effective when appropriate institutions and regulatory capacity are in place. Macroeconomic stability, fiscal sustainability, and good governance will also help to attract and build the confidence of investors.

The easiest SOEs to privatize are in competitive sectors. SOEs in manufacturing, hospitality, and retail sectors will typically be easier to sell and most likely yield clear economic benefits. Domestic and international competitions will foster efficiency, and reforms, such as trade and market liberalization, can make privatization more effective for these SOEs. Successful privatization still requires attention to transparency and legitimate stakeholder concerns.

SOEs in regulated or monopolistic sectors can be more challenging. While some monopolistic sectors, like telecommunications, have been privatized successfully with the right regulatory framework in place, others, like power transmission, have been more difficult. A few sectors, like water, have only a few cases of successful privatization. Other sectors, like finance or mining, also have regulatory, tax, and other issues that may make successful privatization more challenging. Inadequate regulation can lead to harm for consumers after privatization.

On the other hand, the perception of continued government interest through regulation or other mechanisms can limit investor interest. The large size of some of these enterprises can also be a factor in the face of underdeveloped capital markets and a limited pool of investors. However, as a World Bank report notes: "Privatization of such enterprises has yielded benefits in middle-income countries such as Chile, Malaysia, and Mexico, where the policy environment was favorable and the government had the capacity to implement a new or existing regulatory regime."[19] A common alternative in these cases is PPPs, or modern SOE reform (footnote 1).

Privatizing noncompetitive SOEs successfully requires a number of steps. Competitive and non core assets need to be separated, and in some cases, sold separately. Regulation for pricing, minimum service standards, and as needed in other areas, must be established. This should aim to help control the cost and promote the efficiency of the newly privatized entity, while allowing sufficient funds to cover assets operations, maintenance, and replacement. In sectors such as aviation, energy, and finance, the regulatory agency may need to be strengthened, or a new one created. In others, like water, such functions will need to be established at the appropriate level of government. Laws and regulations will have to be written, amended, and implemented. This framework should provide clarity for new owners while also providing transparency and service delivery for other stakeholders.

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[17] S. Kikeri, J. Nellis, and M. Shirley. 1992. *Privatization: The Lessons of Experience*. Washington, DC: World Bank.

[18] On preparing SOEs for listing: ADB. 2021. *The Bankable SOE: Commercial Financing for State-Owned Enterprises*. Manila.

[19] Footnote 17, p. 42.

C. Legal Framework for Privatization

Procedures for privatization may be given in a single law or depend on a range of laws, regulations, and practices. With a few exceptions, these generally do not include procedures or statutes to determine if an SOE should be privatized. For example:

- Argentina has no overarching legal and regulatory framework for privatization, although the 1989 State Reform Law established procedures.
- France has the Ordinance of the Decree No 2014-949 that regulates privatization.
- Germany has the Federal Budget Code that provides the legal basis for privatization, plus other pieces of legislation.
- Hungary has the Act on State Property that governs privatization.
- Japan has no overarching legislation, but is derived from specific legislation.
- Kazakhstan has a Privatization Law, State Property Law, General Corporate Law, and Public Procurement and Competition Laws.
- Poland has a legal and regulatory framework for privatization provided by the 2016 Act on Principles of State Property Management.
- Türkiye has the Privatization Law of 1994.

5. Implementation Issues

A. Preparing for Sale

SOEs may require restructuring prior to sale. Restructuring can involve changes in the legal form; new management; shutting down, separating, or splitting off part of the SOE that will not be sold or sold separately; government equity injections and reassignment of liabilities; and reductions and changes to the labor force. It can also involve new investments for modernization or rehabilitation. Smaller SOEs may need less restructuring and can be sold "as is."

Countries such as Chile, Jamaica, and Mexico others divested small SOEs this way and closed down unviable firms. In large enterprises and monopolies, however, restructuring is often a prelude to sale. This typically involves the breakup of large firms and monopolies into viable and nonviable units, the separation of competitive and noncompetitive activities, and the identification of peripheral assets that can be sold separately. Change of management, with a commercial orientation, can be key. These have been critical to successful privatizations in a wide range of countries, such as Chile, Mexico, New Zealand, and the UK.

Enterprise liabilities may need to be cleaned up. Investors may not be willing to take on large debts, and debt reassignments, write-downs, and repayments may be needed. In principle, the aim should be to leave the new owners with enough equity to protect and increase. For large complex SOEs, a first step is to understand all debts and liabilities, including pensions, to other SOEs. If debts are too high, the government will typically have to forgive those that are to the state, reassign, for example, by absorbing pension liabilities onto the budget, or restructure for other creditors. If creditors are taking a loss, a formal legal process should be followed, and the ownership of the SOE may be transferred in that process or equity given to creditors. Liabilities also include those related to the environment and, in some cases, community and other stakeholders.

Dealing with excess labor is an important and sensitive issue. Layoffs are often necessary to improve efficiency. Labor opposition has been muted when employees understood that the alternative to privatization was liquidation.[20] Public awareness campaigns are critical in explaining the costs and benefits of privatization. Generous severance packages have induced voluntary departures and have limited the need for dismissals. Employee ownership schemes and profit sharing and bonus schemes can also be used to elicit support for privatization. Training is often provided, and, in some cases, help in creating new businesses.

In many cases, new investments and restructuring should be left to new owners. Governments have a mixed track record of making investment decisions and judging the market. "Getting the private sector to finance and managed such investments and take the risk is a major reason for privatization in the first place."[21] In addition, restructuring can also delay privatization. On the other hand, some restructuring may be needed before privatization, for example, to separate commercial assets from non commercial assets, and certain investments may be needed for the SOE to maintain its viability leading to privatization.

[20] Public-Private Infrastructure Advisory Facility. 2004. *Labor Issues in Infrastructure Reform: A Toolkit*. Washington, DC: World Bank.

[21] S. Kikeri, J. Nellis, and M. Shirley. 1994. Privatization: Lessons from Market Economies. *World Bank Research Observer*. 9 (2). p. 263.

In most cases, prices should be set using transparent auction procedures.

B. Pricing and Valuation

In most cases, prices should be set using transparent auction procedures. "Letting the market decide the sales price through competitive bidding procedures is critical for speed and transparency."[22] In small and medium-sized enterprises operating in competitive markets, little formal evaluation may be required. Countries such as Chile, Mexico, and Tunisia left valuation to the market. For large firms and monopolies, a baseline valuation is more important, and market-based pricing should be the preferred strategy provided there is (i) "a careful prequalification of bidders on the basis of proposed business plans, the experience and qualifications of the operating company and the extent to which the sale would concentrate market power to the detriment of consumer interest and (ii) specification of a regulatory environment that provides incentives for modernization" (footnote 23).

Accurate valuations can be difficult. Technical appraisals seldom correctly estimate the market price. SOE valuations are tricky in countries where the operating environment is changing rapidly. For instance, "the number of bids over the asking price for one of Mexico's airlines in the 1990s went from zero to seven after the government signed a debt renegotiation agreement" (footnote 23). This is also true in countries where accurate financial statements are not readily available or where the market is thin (footnote 17). Overvaluation and unrealistic expectations on the part of government can also create delays. Overpricing shares in a public offering may also lead to failure.

C. Financing

Overcoming financing constraints can be a challenge. Financing constraints may stem from weak financial systems. This can also be the case when privatization is rushed during a crisis, and market conditions are at their worst. Sensitivity about foreign ownership is also an issue. "For political and social reasons, governments are generally reluctant to cede to foreign investors control over assets, especially those they consider of strategic importance, and have therefore restricted external participation in privatization. Such restrictions have narrowed the range of financing options, particularly in the sale of large SOEs. Such restrictions exclude countries from an important source of new capital, markets, management, and technology."[23] Many countries have eased restrictions, and competition to obtain foreign investment has become more intense.

Concerns about foreign or other owners have led to the creation of golden shares in certain SOEs. These may include special rights reserved for the government, even when it retains a relatively small stake in the privatized company. For example, this strategy has been used in very large SOEs serving the national interest, for example, combined with the sale of a controlling interest to a foreign investor with widespread distribution of the remaining shares to citizens and employees (footnote 17). These golden shares typically give governments a de facto veto over selling to a new controlling shareholder, changing the charter, or other major transactions. They should be used sparingly, as they limit ownership rights. In many cases, the underlying objectives are better achieved through relevant sector regulation.

6. Managing Privatization

A. Legal and Institutional Framework

To have positive and enduring effects, privatization requires strong political commitment, public consensus and understanding, and transparency in the process. A well-functioning legal framework is especially important to successful privatization. Creating a framework typically entails developing important aspects of business legislation, such as property law, competition law, corporate law, dispute settlement, and other relevant laws. It also involves defining property rights, modifying the legislation of SOEs to be divested, and organizing the privatization process. Crucially, relevant laws must be implemented in a credible and relatively efficient manner. There is also a critical role for the state as owner in developing the strategy and principles for privatization.

Responsibilities for privatization lie at the political level, which defines objectives, sets priorities, takes major decisions, and oversees the program. The political level typically consists of the head of state, an interministerial commission, a cabinet committee, or the cabinet itself. It defines the program, sets objectives, identifies SOEs for privatization, takes major decisions, and oversees implementation.

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[22] Footnote 17, p. 62.

[23] Footnote 17, pp. 64–65.

Countries have used different mechanisms to exercise political oversight and oversee the process. For example, Brazil, Lithuania, Malaysia, Peru, the Philippines, Serbia, and Türkiye established interministerial commissions; in Argentina, the Presidency oversaw and monitored privatizations, along with a Bicameral Commission with a mandate to coordinate privatization policies with legislative and executive powers; in France and Poland, a single ministry oversaw privatization; and in Chile, oversight functions were carried out by the board of CORFO, the state holding company.

The relationships between the political and technical levels vary and depend on the clarity of the privatization mandate. The clearer the mandate given to the implementing agency, and the greater the consensus on privatization, the more political authorities will be able and willing to delegate their powers. In countries where the SOE sector has shrunk, the privatization function is often located in a state ownership entity that exercises the state's ownership rights.

A sound legal and institutional framework is needed to ensure transparency and maximize the benefits of privatization, backed by strong political commitment. Good practice calls for a clearly defined privatization law and the establishment of an independent, highly specialized, stand-alone privatization agency whose sole mandate is to privatize SOEs to improve efficiency and enhance competition. Endowed with the right powers, authority, skills, and expertise, such an entity is critical to lead and manage the process in a speedy and transparent manner.

Countries with large SOE sectors, such as Serbia, Türkiye, and the Philippines among many others, established a stand-alone privatization agency to carry out the process and ensure transparency and speed. Controversies sometimes arose from the implementation process even in these cases. The clearer the mandate given to the implementing agency, and the greater the consensus on privatization, the more the political authorities were able and willing to delegate their powers. Such entities can help to provide political clout and independence, consolidate decision-making and expertise, control and implement the program in a timely manner, and ensure transparency and credibility.

Successful privatization requires a specialized privatization body with the right skills and expertise to lead and carry out the process. The goal is to put unproductive SOE assets in the hands of competent owners and managers to improve their performance and long-term health. Depending on the type of assets to be sold, privatization transactions involve a multiplicity of actors, each with their own vested interests, and a host of policy decisions that need to be addressed before and during the sale process.

A key lesson from Eastern Europe and the former Soviet Union, and from other countries, is that relying on insiders to run the process meant that assets were stripped and privatized; liabilities were socialized; workers, consumers, and governments gained little from the process; needed restructuring was delayed; and the process was politically costly. A sound structure is thus essential for timely and smooth execution, transparency, credibility, and success of the program.

Various types of privatization bodies have been created. Some transition countries with large SOE sectors and major privatization programs in the 1990s established a specialized privatization ministry, for instance, in the former Czechoslovakia, Hungary, Poland, and the Russian Federation, among others. While such ministries privatized large numbers of SOEs, vested interests and resistance to privatization within the ministry contributed to delays and to lack of transparency in implementation. For these reasons, most other countries established a dedicated and independent privatization agency with a clear mandate and autonomy, the necessary clout and authority, minimal bureaucracy, and quality staff.

While varying in structure and form, the core functions of such agencies included executing decisions, implementing transactions, carrying out restructuring, determining financing needs, managing the activities of the entity, and conducting oversight. Specialized issues, such as financial and organizational restructuring, may require delegation to institutions with the necessary qualifications and skills, such as banks and financial institutions, and international and local consultancies, based on clear implementation principles, standards of accountability, and regular oversight.

As privatization has waned, countries have converted their privatization agencies into ownership entities for the remaining SOEs. In some countries, such as Israel, the state ownership entity carries out privatization. Others have centralized the privatization process in the ministry of finance or, in some cases, line ministries. As privatization has become infrequent, governments are relying on ad hoc approaches.

In Argentina, for example, individual ministries are mostly in charge of privatization under

Large SOEs in infrastructure and other strategic sectors proved more complex and more likely to require significant prior organizational and financial restructuring and careful management of the social implications.

their control. In Denmark, there is no formal administrative framework in place, and each privatization is prepared and executed following an established process, while the Ministry of Finance is also involved. In France, the government shareholding agency implements privatization, while in Hungary, the Hungarian National Asset Management agency is responsible. In Kazakhstan, the Ministry of Finance is the responsible body, while in Türkiye, it is the Privatization Administration, and in the UK, the responsibility for large and complex privatizations processes is vested in the UK Government Investment Agency.

B. Sequencing of Privatization

Many countries started with small and medium-sized SOEs in commercial sectors that are easier to privatize. Countries such as Chile, Jamaica, Mexico, the Philippines, Poland, and the UK began by privatizing firms in sectors such as retail, food, construction, and hotels. Such sales required little prior restructuring and institutional capacity, entailed minimal political risk, and managed to avoid thorny issues of foreign ownership. Speed proved essential to put the assets to more productive use and to reduce the government burden. Unviable enterprises that did not attract investor interest were phased out or liquidated. Experience with such transactions also helped prepare for the sale of larger and more complex SOEs.

Large SOEs in infrastructure and other strategic sectors proved more complex and more likely to require significant prior organizational and financial restructuring and careful management of the social implications. Concerns typically focus on the valuation and pricing of assets, lack of transparency, and negative labor impacts. Experience shows that these concerns can be addressed through proper valuation techniques carried out by professional and independent valuators, the adoption and enforcement of competitive bidding processes, and the setting up of institutional decision-making arrangements that are professional and transparent.

Fostering a level playing field by putting in place competitive neutrality principles is also essential to prevent broader harm to the functioning of markets. In countries such as Argentina, Mexico, New Zealand, and the UK, privatization of large enterprises was accompanied by significant downsizing of the labor force, with severance packages and retraining programs provided to mitigate the social and political costs. Countries such as the Russian Federation, which let excessive labor stay in place, experienced prolonged negative effects, while countries such as the Czech Republic and Hungary, which shed excess labor relatively quickly with the needed support, had relatively higher unemployment initially, but were able to recover real wages faster, while unemployment decreased subsequently with higher growth from faster and more profound reforms.

The challenges are greater in network sectors such as water and power. Privatization or private participation in these sectors is best accompanied by broader sector-wide reforms that introduce competition, address tariff reform, develop the necessary regulatory frameworks and capabilities, ensure proper contract design and enforcement, and foster transparency. However, in general, full privatization in these sectors tends to be rare.

A key lesson from global experience is that the transparency and integrity of the privatization process should not be compromised for speed. Evidence across a wide range of countries shows that privatization yields benefits in terms of economic productivity and consumer welfare where there are no economy-wide distortions that hinder competition, the policy environment is market-friendly, and a sound legal and regulatory system is in place. It is crucial that the process itself be managed in a transparent and open manner through competitive bidding and other means to avoid concentration of assets in the hands of a small elite.

C. Parallel Reforms

In parallel with privatization, it is important to strengthen competition policy and tackle cartels and abuse of dominance. Countries such as Brazil, Chile, Colombia, Mexico, Peru, and South Africa have set up effective anti-cartel programs over the last decades. Competitive neutrality principles are essential to ensure that any remaining commercial SOEs compete with private firms on a level playing field. Australia's Competitive Neutrality Complaints Office and Romania's state-aid portal are examples of institutional setups to safeguard and enforce these principles. Effective policies that tackle cartels and abuse of dominance are critical to ensure that consumers gain from reforms. In commercial sectors, laws that establish state monopolies or restrict private participation will need to be revised. In key industrial or agribusiness inputs, one or several SOEs may control production and distribution and may be protected by exclusivity rights. Exclusivity rights may need to be amended or revoked.

Successful privatization programs have been accompanied by pro-competition product market regulation reform and the development of sound regulatory frameworks. International experience from countries that have carried out privatization and structural reforms shows that fostering competition by opening sectors to domestic and foreign private investment and trade is a complement to SOE restructuring and privatization in achieving dynamic growth and efficient market outcomes. This is mirrored by firm-specific experience as well.

For example, exposing monopoly SOEs in commercial or potentially commercially viable sectors to private competition on a level playing field can reveal poor performance and at the same time introduce market discipline to improve performance. For example, Mexico decided to expose its oil company, PEMEX, to private sector competition after governance reforms alone did not yield expected results. In the case of infrastructure SOEs, successful privatization requires a regulatory framework that separates out potentially competitive activities, establishes the tariff regime, clarifies service goals, develops cost minimization targets, and creates or strengthens an agency to supervise the process. Free entry should be ensured whenever competition is possible.

D. Corporate Governance Improvements

Despite extensive privatization over the years, governments around the world continue to own and operate commercial enterprises in critical sectors such as finance, infrastructure, manufacturing, energy, and natural resources. "Past efforts at reform have made clear that poor SOE performance, where it occurs, is caused less by exogenous or sector-specific problems than by fundamental problems in their governance—that is, in the underlying rules, processes, and institutions that govern the relationship between SOE managers and their government owners."[25] Governance problems include complicated and at times contradictory mandates, the absence of clearly identifiable owners, politicized boards and management, lack of autonomy in day-to-day decision-making, weak financial reporting and disclosure practices, and insufficient performance monitoring and accountability mechanisms.

Many countries have taken concrete steps to address these challenges and achieve the benefits of good corporate governance, in part to facilitate privatization. They have done so by establishing a sound legal and regulatory framework for corporate governance, creating proper ownership arrangements for effective state oversight and accountability, developing a sound performance monitoring system, promoting financial and fiscal discipline, professionalizing SOE boards, enhancing transparency and disclosure, and protecting shareholder rights in mixed ownership companies. These measures yield benefits in terms of better access to external finance by firms, lower costs of capital and higher firm valuation, improved operational performance, reduced risk of corporate crises and scandals, and better relationships with stakeholders. These benefits can boost the efficiency of SOEs and of the economy as a whole, result in more efficient allocation of resources, lead to greater public and private investment in critical sectors such as infrastructure, reduce vulnerabilities in the financial system, and promote financial sector development more broadly (footnote 12).

E. Transparency and Political Commitment

A principal lesson of experience is the need for transparency and political commitment. Transparency is achieved by having clear and simple selection criteria for evaluating bids, clearly defined competitive bidding procedures, disclosure of purchase price and buyer, well-defined institutional responsibilities, and adequate monitoring and supervision of the program. Lack of transparency can lead to a political backlash and is often associated with poorly structured sales. It can also lead to a perception of unfair dealing and to a popular resistance that can not only threaten privatization but also reform in general. At the same time, excessive devotion to transparency need not become an excuse for inaction.

For smaller commercial firms in competitive markets, light management and review of transactions are needed. However, transparency is critical for larger and more visible transactions, and the less competitive the market, the greater its importance. Oversight bodies play a key role in ensuring transparency. Special commissions outside the regular privatization machinery and the use of technical advisers, foreign and domestic, can help ensure transparency and speed in the process. Most of all, strong political commitment and leadership are needed to carry out privatization.

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[24] Footnote 12, p. xxii.

Transparency and speed are best achieved by centralizing policy and implementation responsibilities for privatization. In view of this, most countries have adopted an approach where responsibilities for privatization lie at two levels: (i) the *political level*, which defines the objectives of the program, sets priorities, and takes major decisions; and (ii) the *institutional or technical level*, which focuses on the implementation of privatization transactions.

The political level typically involves the head of state, a commission, a cabinet committee, or the cabinet itself comprised of ministers and other key policy makers. The main functions at this level are to set objectives, identify SOEs for privatization, take key policy decisions, and oversee implementation. For example:

- Peru, the Philippines, Serbia, and Türkiye have established privatization commissions, committees, or high councils to identify SOEs for privatization, establish the framework, take key policy decisions, and oversee the process.
- Lithuania established political oversight through the Privatization Committee that consists of representatives of government ministries and Parliament.
- In Argentina, the Presidency oversees and monitors privatizations, along with a Bicameral Commission with a mandate to coordinate privatization policies with legislative and executive powers.
- In the PRC, the State-Owned Assets Supervision and Administration Commission is a special commission responsible for managing SOEs.
- In India, the Department of Public Enterprise is a full-fledged department in the Ministry of Finance that oversees SOEs.
- In Indonesia, the Ministry of State-Owned Enterprises oversees the SOEs.

At the institutional level, privatization agencies or authorities are of different types, depending on country circumstances and the size and scope of the program. A wide range of structures, often involving a combination of entities, have been used. For the most part, centralized structures of varying types have been used. These typically include:

- **Privatization ministry.** Eastern European countries with large SOE sectors and large programs in earlier years, such as Hungary, Poland, and the Russian Federation, established specialized privatization ministries to control the program and take key decisions and provide political cover, as well as oversight and control of the program.
- **Privatization units in central ministries such as the ministry of finance or economy.** This approach, which has been used when there are a limited number of large, high-profile enterprises to privatize, provides the ministry with the ability to help steer the program in a hands-on manner and limits the involvement of vested interests. It also enables the ministry's financial expertise and control over funding to ensure any budgetary issues are quickly identified and resolved.

  In Mexico, a unit of just seven people in the Ministry of Finance, reporting directly to an interministerial commission and freed of public sector rules and regulations, divested several large enterprises over a few years. India, New Zealand, and the UK also relied on their respective ministries of finance to steer the program and limit the involvement of vested interests, using qualified staff with access to appropriate skills. In Kazakhstan, the Committee on State Property and Privatization under the Ministry of Finance is responsible, while in Poland, the minister of treasury is responsible for the disposal of state ownership. In the Philippines, the Asset Privatization Trust in the Department of Finance, headed by a qualified private sector businessperson and staffed by a small group of experienced private sector individuals paid at private sector rates, disposed of more than 150 nonperforming assets in 2 years.
- **Stand-alone privatization agencies.** Several countries have established stand-alone privatization agencies to promote independence and ensure expertise in carrying out the process. SOEs earmarked for privatization are moved into the privatization agency so that it can control the process and implement it in a timely manner. The Kyrgyz Republic, Serbia, and Türkiye, among many others, created such agencies, which report to key decision-makers such as the Prime Minister, cabinet, or a high-level privatization commission. Countries such as Poland and Türkiye transferred SOEs into the agency prior to their privatization or restructuring.
- **State ownership entities.** In a few countries with smaller remaining SOE sectors, such as France, Hungary, Italy, and Lithuania, state ownership agencies that oversee and govern SOEs are also responsible for privatization. This approach

> may, however, slow the process down, as staff may lack the appropriate skills for privatization, are spread between different non-privatization-related functions, and as other agency priorities may take precedence. As SOEs get privatized and the size of the sector is reduced, more countries may adopt this model and should guard against these risks.

Relatively few countries have taken a decentralized approach as it slows the process down and can lead to undue political influence in the process. In the former Czechoslovakia, sector ministries were responsible for preparing and implementing privatization plans, although key decisions were taken by the privatization ministry. In Argentina, where ownership of SOEs is widely dispersed, individual ministries are responsible for privatization.

Irrespective of the structure, the key for privatization agencies is to have a clear mandate, sufficient autonomy, minimal bureaucracy, ready access to top decision-makers, and qualified staff and financial resources. Small privatizations may be handled locally, but large privatizations require careful delegation of responsibilities and specialized skills.

To accelerate the process and ensure it is done right, many countries delegated implementation responsibilities to institutions with the necessary qualifications and skills, such as banks and financial institutions (France and Mexico), international and local consultancies (Argentina and Venezuela), and holding companies (the Philippines). Such delegation has taken place based on clear implementation principles, standards of accountability, and oversight by the privatization body. Acquiring the right skills (financial, business, and commercial), domestic and foreign, is essential for carrying out large complex transactions, with adequate market-based remuneration. As major policy decisions and the oversight of external consultants often rest with civil servants, their capacity should also be strengthened through training and recruitment of qualified or specialized staff.

7. Conclusion: Key Elements for Successful Privatization Programs

Strengthening country preparedness. In many countries, the investment climate may not be competitive and sector policies are often spotty, while regulatory agencies lack adequate capacity. A key priority is to strengthen these areas for providing effective and affordable services. This requires establishing an overall macroeconomic framework and the capacity to regulate. The more market-friendly the business environment, the greater the benefits.

Key elements include establishing sound sector policies (especially in noncompetitive markets), developing a clear legal and regulatory framework for privatization that protects consumers, and establishing open communications with stakeholders and the public. Preparing for privatization also requires strengthening the corporate governance of SOEs by developing a clear state ownership policy; professionalizing boards and management; establishing effective internal controls, compliance, and risk management systems; countering corruption in high-risk activities and operations; promoting transparency and disclosure; digitalizing information and facilitating citizen participation; and developing codes of conduct and anticorruption policies.

Building institutional capacity. Divestiture is the main option for commercial SOEs, while privatization in sectors such as infrastructure, energy, and banking can be more challenging. Such SOEs require significant prior preparation, including financial restructuring, labor restructuring, and establishment of regulatory bodies. Government agencies are often ill-equipped to deal with private operators, especially where there is no privatization agency. In the post-privatization phase, capacity for drafting, negotiating, monitoring, and enforcing contracts needs to be strengthened. Open public debate and communications are critical in making the case for privatization and outlining the rationale and approach to privatization.

Tackling corruption. SOEs often enjoy a monopoly over significant resources, preferential treatment from the state through access to budgetary resources, government guarantees, indirect subsidies, and loans from state-owned banks. Vulnerabilities in high-risk operations also arise from loopholes in policies and procedures, often aided and abetted by weak corporate governance.

These vulnerabilities can be addressed through various means, including the adoption of integrity pacts between contracting authorities and operators bidding for contracts, clear guidelines and due diligence procedures to protect sensitive commercial information and ensure transparency, a register of all contracted

The complexity of the privatization and SOE agenda requires patience and persistence...

third parties that captures basic information, and development of e-procurement tools. The privatization process itself is often prone to corrupt influence. Tackling "corruption is critical to reducing negative economy-wide impacts and to creating an environment of trust, transparency, and accountability."[25] The Appendix section has more information on SOEs, privatization, and corruption.

Acknowledging and addressing the complexity. As more and more complex SOEs are being reformed, the approach has shifted from straight privatization to maximizing finance for development (MFD), a global effort among countries and international organizations. The goal is to have a more coordinated and connected approach to the public and private sides of development that considers the spectrum of private and public solutions, taps a variety of financial options, incorporates global lessons and good practices, and addresses equity and affordability for consumers. MFD also helps level the playing field, expand the range of options, reduce poverty, and expand opportunity. Finding the right mix of public and private funding is key.

The complexity of the privatization and SOE agenda requires patience and persistence in engaging with countries, developing trusted relationships built on expertise, and providing more breadth and depth for the policy dialogue on privatization.

It requires a good understanding of the country-specific context, political economy, stakeholders, and challenges and priorities of country-specific development agendas. It involves breaking silos and developing new and innovative approaches in supporting privatization by recombining the tools and approaches that have been used in the past and moving from a siloed approach to a more systematic approach, and from "quick wins" and a "fast game" to the "infinite game." It also necessitates moving from old networks and relationships to relationships built on trusting each other's expertise and skills, and moving from siloed private sector-focused engagement to a "systems approach" with more depth.

Appendix

Corruption Risk for State-Owned Enterprises and Privatization

State-owned enterprises (SOEs) are significant contracting entities, and SOE procurement and privatization are some of the activities most vulnerable to corruption and collusion. Corruption and collusion are two distinct problems, usually pursued under separate but largely compatible frameworks:

(i) Corruption occurs where public officials use public powers for personal gain, such as accepting a bribe in exchange for granting a tender. It constitutes a vertical relationship between the concerned public official, acting as a buyer in the transaction, and one or more bidders, acting as sellers. Corruption is generally prohibited by national rules, ethics legislation, and/or by public procurement regulations.

(ii) Collusion involves a horizontal relationship between bidders who conspire to remove the element of competition from the process, where bid rigging is the typical mechanism. Bid rigging is when bidders determine between themselves who should "win" the tender and then arrange their bids in ways to ensure that the designated bidder is selected by the purportedly competitive process.

Collusion may be facilitated by having an "insider" in the SOE that provides the bidders with information necessary to rig bids. In most countries, bid rigging is a cartel offense, and prohibited by competition law, and in many countries also a criminal offense. Both types can occur in tandem in any procurement procedure, whether in the public or private sector.[1]

Corruption risks are heightened by the close interactions between public officials and businesses, and the multitude of stakeholders involved. Rules may be adapted to achieve a desired outcome, and bribes and other forms of illegal payments may be made to company

25 R. Bajpai and C. B. Myers. 2020. *Enhancing Government Effectiveness and Transparency: The Fight Against Corruption*. Washington, DC: World Bank. p. 102.

1 Organisation for Economic Co-operation and Development (OECD). 2010. *Policy Roundtables: Collusion and Corruption in Public Procurement*. OECD Global Forum on Competition.

executives and members of political parties. Third parties (prospective or contracted business associates, agents, distributors, consultants, contractors, vendors, and suppliers) are an important risk factor as they may not follow the same standards as the SOE. SOE management may also not monitor market prices or provide a comparative analysis when making purchasing or sales decisions and may resort to companies that frequently win tenders or do business with SOEs.

The presence of politically connected officials in SOE boards and management facilitates corruption in procurement and privatization. SOEs are often the targets of clientelist groups linked to politicians and anonymous contractual partners, who may circumvent public tenders and manipulate the process to directly award contracts and channel the funds for their purposes. Audit bodies may not be able to prevent such processes or supervise the SOE. In South Africa, for example, the boards of Transnet and Eskom introduced specialized board procurement committees, even though procurement is not a board responsibility.

The committees were established with the sole purpose of giving their members and preferred bidders direct access to the procurement budgets of the SOEs. "These and other corrupt practices at the board and management level eventually led to the removal of malfeasant and incompetent directors and executives, including criminal charges in several instances."[2] A 2013 study shows that in countries such as the Czech Republic, Slovakia, and Poland, similar networks consisting of business companies and public office holders with positions in SOE bodies resemble networks of organized crime, as confirmed by the bodies responsible for penal proceedings that investigated the SOE corruption cases, as well as the intelligence services.[3]

Asset, finance, and other major transactions also face high corruption risk. Politicians or public officials may manipulate valuations and decisions for their own benefit or for money laundering purposes. In addition to the lack of rigorous and transparent processes, other risks may include the lack of commercial justification for transactions, the involvement of multiple persons, lack of due diligence processes of the counterparts, possible anomalies in transactions, and lack of independent review of transactions and valuations.

The consequences of these and other areas of SOE operations can be severe. These include raising costs, reducing the quality of projects and services, and damaging public confidence. "When public contracts are awarded on a basis other than fair competition and the merit of the successful contractor, maximum value for public money is not achieved which leads to wastage of public funds and results in lack of resources to deliver critical public services."[4]

Some of the most gregarious abuses involved the privatization of large SOEs. In environments where SOE corruption is a concern, privatization may also be prone to corrupt influence and collusion, leading to lower returns to the state and outsized gains for politically connected groups and individuals. Hence, corruption must be taken into account for both ongoing SOE governance challenges and the decision to privatize those SOEs.

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2 D. Lewis. 2018. Gordhan Shows Way Forward for Cleaner Public Corporations. *Corruption Watch*. 24 August.

3 P. Bouda et al. 2013. *Public Money and Corruption Risks: The Risks of Political Corruption in the Management of EU Funds and SOEs in the Czech Republic, Slovakia, and Poland*. Frank Bold.

4 D. Detter. 2019. Public Commercial Assets: The Hidden Goldmine. *The Governance Brief*. Issue 40. Manila: Asian Development Bank (ADB); and ADB. 2020. *Guidance Note on State-Owned Enterprise Reform in Sovereign Projects and Programs*. Manila. p. 9.

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ISBN 978-92-9269-883-6 (print); 978-92-9269-884-3 (electronic)

ISSN 2520-6591 (print); 2520-6605 (electronic)

Publication Stock No. BRF220533

http://www.adb.org/publications/corrigenda

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https://www.adb.org/publications/series/governance-briefs

DOI: http://dx.doi.org/10.22617/BRF220533