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# UNCTAD CONFERENCE

## 1st Session of the Working Group on Privatization

## Comparative Experiences

November 1992

CORE
TO #037

Nov. 18

Mark H.

To: Jim Waddell (cc Andy Cao)

From: Ed Harrell

Subject: UNCTAD Working Group Program on Privatization

Ref: Monica McKnight's fax of 11/10

This UNCTAD secretariat background paper is circulated to assist the participants in the working group on privatization to set a work agenda and priorities at the group's first meeting, Nov 30-Dec 4. I do not know whether State or AID will represent the U.S.

The paper's definition of privatization is quite comprehensive in [illegible] a careful reading of the paper

terms of techniques(para5), though a [illegible] suggests the authors are equating privatization with the sale of assets and shares-the transfer of ownership. This two dimensional analytical matrix framework for identifying privatization opportunities- competitive and non competitive industries and enabling and non enabling macro environment(the same as used by the World Bank in its study Privatization:The Lessons of Experience, The World Bank, August 1992) leads the paper's authors to suggest the state owned enterprises that fall into cross dimensional non-competitive-non enabling macro environment categories are not good candidates for privatization. Privatization in these cases should be preceded by contract management, leasing and operating concessions.(para12)

This definition and two dimensional matrix approach leads to an unnecessarily pessimistic tone to the study and will greatly reduce its relevance to countries in Africa, South Asia, the Caribbean and many NIS countries that by definition, as countries, will fall into the "too soon to privatize box." What about the successes in contract management, concessions, spin off(or closure) of functions normally performed by state entities to private individuals, companies, former employees and former managers in state enterprises in these(and other) countries that would normally fall into a poor regulatory and macro enabling environment category. What about creating competition to state monopolies before the competitive environment or the regulatory system is widely in place.( Calcutta bus company, train service concession in Thailand et al) We have some examples of our own, e.g., groundnut sales by Gambian farmers to Senegal before



privatizing the state owned groundnut processing plant to name one).

The members of the working group will represent countries and country experiences or non-experiences. They may or may not be knowledgeable about privatization-broadly defined- in their own countries except perhaps in terms of policies(politics) and sales(makes the newspaper or radio). What is missing in the literature- the exception is the World Bank study of three relatively advance developing countries, Malaysia, Chile and Mexico and one industrial country, Great Britain, op cit.-are systemmatically documented privatization, and what the paper would categorize as pre privatization, efforts from developing countries without capital markets, high incomes, growing markets et al.

The working group could extend the in-depth analysis done by the World Bank to document in measurable quantitative terms [illegible] successes and failures in generally non-

et al.

The working group could extend the in-depth analysis done by the World Bank to document in measurable quantitative terms privatization successes and failures in generally non-competitive- poor enabling environment countries and raise the relevance of the effort to Africa, South Asia and Caribbean countries. They could also focus on specific issues not mentioned in the referenced paper which are always troublesome to countries contemplating privatization programs, e.g., how governments have handled the provision of services to lower income groups when improving the efficiency and reducing government costs in providing water, electricity, solid waste collection services to poor people through privatization efforts and how governments have handled the redundant labor issue in non-growing economies and how government have handled the creation of regulatory regimes in administratively thin governments et al. These questions asssume certain objectives of privatization-or contraints-which, although important, may not be universally accepted(may not lead to reducing the nations's debt), but they can be documented in terms of design and implementation stages suggested in the study. Not all countries will follow Chile and relace the management of state owned enterprises before privatization or Argentina in allowing train service to stop rather than continue to provide subsidies before privatization was undertaken. But as countries they succeeded in these efforts.

Many of these areas are alluded to open ended questions posed in the UNCTAD circulated document, but the way they are posed and the methodology and definitions of the study will lead only to antidotes, not insights, to the countries most in need of advice and models to help them in their privatization efforts. We should encourage the working group to spend the time and effort to structure a study which conclusions will be meaningful to the less developing countries - and those that are resisting privatization- and analytically defendable. It took the World Bank three years and $300,000 to do four countries.

11/19

MH

FYI & Comment for JW

# MEMORANDUM

To: Jim Waddell
From: Andy Cao
Date: November 18, 1992
Subject: UNCTAD Working Group Program

Based on my review of the United Nations Conference on Trade and Development (UNCTAD) document of October 30, 1992, I find it quite comprehensive and useful as a working document for extensive discussions in Geneva. The following comments and suggestions are either based on the topics/questions raised in the paper to provide some direction for discussions with some special emphasis on certain issues that PW/IPG has experienced based on our works for the USAID.

## OBJECTIVES OF PRIVATIZATION

***Factors leading to the decision to privatize (Item 8.a, p. 10 of fax).*** The discussions could focus on the following factors that IPG has noticed from our data base analysis:

1. Political: we have noted that *newly* elected governments have been the most proned to actually carry out privatization such as in Mexico, Chile or Cape Verde. It seems that there is more popular support for change to be brought about by privatization such as improving efficiency of the SOEs. This is also true, in certain ways, with Eastern Europe.

2. IMF/World Bank *pressure* in economic restructuring and liberalization as a condition for more funding like IPG have seen with Egypt (Item 8.c, p. 10).

Efficiency improvement and budget relief have been cited as causes but they are not necessarily the *dominant* factors. The Working Group discussions could focus on the implications for timing of privatization decision in the future and the kind of pressure/influence the donors can exert one way or another.

***Objective Selection (Item 8.a & c, p. 10)*** . Discussions could focus on *social vs. economic* choice and the necessity to prioritize systematically the objectives for selection. As the premise for privatization is to promote a more market oriented economy, the objective should be the same as any private business would chose and that is *maximization of stockholders' wealth* in a freer market. Regulations should be used instead in order to provide the social safeguard. Confusion in the objective selection would perpetuate the same dilema of inefficiency making privatization look like it is the wrong medecine while in reality it is the poor management of privatization itself which is the real cause.

## DESIGN & IMPLEMENTATION

**Impact.** The discussions could relate to the objective setting process discussed above because one cannot decide whether privatization impacts have been "successful" unless it has met the stated objectives (Item 14. a, p.11). As a matter of fact, the pace, scale, sequencing and so all depend on the objective(s) itself. If the objective is to reduce as many and as quickly as possible the number of SOEs then the successful impact is measured by the number of privatization completed like it in Eastern Europe (Item 14. b, p. 11).

**SOE Preparation.** Discussions could define the types of activities which need to be done in the "preparation" of the SOE because it could involve all the items of the balance sheet as well as the personnel. Also, the decision on which one should be based on cost-benefit analysis (cost vs. price received plus concessions). Finally, the Working Group can discuss about the question of efficiency in the management of the preparation to be done by the same less efficient entity!? (Item 14. c, p. 11).

## ISSUES

**Impact Analysis.** Discussions could cover the importance of having impact projection prior to actually carrying out privatization because the predicted impacts could determine the strategy of privatization such as pace, timing, selection and so on.

Another issue related to impact analysis is the importance of developing a systematic but practical measurement technique with practical (business-oriented) criteria for evaluation.

**Natural Monopolies.** Issues have been raised as to whether privatization creates a private monopoly? Natural monopolies exist such as in telecommunication. This is unavoidable, hence, regulations are necessary. It is also unavoidable in most LDCs right after privatization in most sectors because there were only two or even one single producer prior to privatization. The importance is that privatization eliminate the restriction of new entries, hence providing the appropriate opening to market competition (Item 21. c, p. 12).

**ESOP & MBO.** The importance and especially the management of ESOP & MBO are worth discussing in an operational fashion such as how to fund them, how the loan can be amortized, how the representation and voting are done or how share redemption is done?.

**BOO vs. BOT.** More technical discussions need to be done to promote the real understanding of BOO vs. BOT. People talk about it, go to negociations without factual data to negociate on tariffs, timing of transfer and so on (lessons learned from the Philippines, Pakistan and Indonesia).

**Integrated Efforts.** Training and applied research have been neglected as an integrated effort in privatization activities. Do we know what we are doing? what we are talking about? and if so are on the same wave length?. Once again, the lack of training and applied research (preparatory research and monitoring research) can very well be the cause of the

delays in the Hab River project in Pakistan and other projects in Turkey after hundreds of millions of dollars spent.

Another aspect related to training is the need to develop entrepreneurship in the LDCs as well as managerial skills.

CONFÉRENCE DES NATIONS UNIES
SUR LE COMMERCE ET LE DÉVELOPPEMENT

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DE LA CNUCED

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RÉF. N°:
(à rappeler dans la réponse)

30 October 1992

Dear Mr. Nettles,

As the document has been submitted late, I am taking the liberty of sending you an advance copy of the issues paper to be submitted to the first session of the Ad hoc Working Group on Comparative Experiences with Privatization, scheduled to be held from 30 November to 4 December 1992, so that you can send it to your authorities sufficiently in advance of the meeting.

The paper provides a brief description of the issues which are relevant to the terms of reference of the ad hoc Working Group, and raises related questions which the ad hoc Working Group could address. It is hoped that this will facilitate the preparation of contributions by national experts and exchanges among them and that, with sufficient coverage of the issues by the Working Group, experts will mutually benefit from their contributions. As you will agree, the quality of such contributions and exchanges will be a determining factor for ensuring the success of the work of the Working Group.

I am at your disposal to provide you with any additional information that you may need.

Yours sincerely,

K. Khaw
Chief, Privatization and
Enterprise Development
Development Strategies Division

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Distr.
GENERAL

TD/B/WG.3/2
October 1992

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Ad Hoc Working Group on Comparative
Experiences with Privatization
First session
Geneva, 30 November 1992
Item 3 of the provisional agenda

# ESTABLISHMENT OF THE WORK PROGRAMME OF THE WORKING GROUP

## Issues for consideration in the establishment of the work programme

Note by the UNCTAD secretariat

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## INTRODUCTION

1. On 7 May 1992, the Trade and Development Board adopted the terms of reference of the Ad hoc Working Group on Comparative Experiences with Privatization (decision 398 (XXXVIII), annex C). Under those terms of reference, the Working Group should review the experiences of countries with privatization, consider medium and long-term objectives of privatization processes, consider factors pertinent to the design and implementation of privatization programmes, elaborate, as possible guidelines for policy-makers, basic elements for consideration in formulating privatization programmes and plans, and serve as a forum for the presentation of national programmes and plans for privatization, as well as for the exchange and dissemination of relevant information.

2. In order to facilitate the task of the Working Group in formulating its work programme and setting priorities, this note identifies the main issues which could be addressed in comparing experiences with privatization.

3. The terms of reference of the Working Group suggest several possible components in the work programme:

(a) Definition and choice of the objectives of privatization;

(b) Factors pertinent to the design and implementation of privatization programmes;

(c) Some selected issues of privatization.

4. The main issues that may be considered in examining each of these components are indicated below. In each case, a brief outline of the issues is given, followed by a set of related questions which may help experts to organize their contributions in the light of their own expertize and experiences. The exchange of national experiences is a particularly important aspect of the work of the Working Group. The note concludes with some observations on the organization of work.

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## I. OBJECTIVES OF PRIVATIZATION

5. Privatization is a key element in an overall strategy for the restructuring or reform of public enterprises, and of private sector development. It is undertaken for many reasons and involves various methods, including transfer of ownership of an enterprise to the private sector or of its assets following liquidation, partial privatization through sale of minority shares, and privatization of management through management contracts, leasing and concessions. Among the goals often cited are: enhancement of enterprise performance, of competition and of the efficiency of resource allocation; raising of fiscal revenue; generation of private investment, including foreign capital; reduction of financial and administrative burdens on the State (or redefinition and reduction of the role of the State in the economy); rationalization or restructuring of particular economic sectors; development of the private sector and the domestic capital markets; creation of wider share ownership ("popular capitalism"); and employment creation through increased investment and growth. Governments have also undertaken privatization programmes in the context of structural adjustment or economic liberalization programmes.

6. As the goals of privatization may conflict, efforts to accomplish incompatible objectives at the same time may result in none being achieved. Widely dispersed share ownership may be an important consideration but efficiency may be compromised if such ownership interferes with effective corporate governance. The task of the Government is to clarify and balance conflicting objectives, distinguishing between primary objectives like efficiency enhancement and shorter-term considerations such as revenue raising. The task of the Government is also to choose the method most appropriate to the objective to be pursued, taking into account the factors involved (see paragraph 10).

7. Privatization in the countries undergoing the process of transition to a market economy differs greatly from other situations. It involves a more massive and complex undertaking in a context where concepts of market prices, property, ownership, title and contract are still new and where institution building in legal, commercial and financial spheres is still at an early stage. The aims are also different, being more overtly socio-political than elsewhere, with privatization being viewed not merely as a tool to enhance efficiency but as the principal instrument of the transformation process itself.

8. In the light of the above, the questions that may be addressed include:

(a) What factors have led to decisions to privatize? How has the choice of objectives and privatization methods been determined? To what extent have they addressed the problems to be solved?

(b) What have been the medium and long-term objectives of privatization programmes? What factors and conditions have facilitated or impeded their effective implementation?

(c) What has been the relationship of structural adjustment or economic liberalization programmes to the performance of privatization programmes?

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(d) Under what circumstances are regulatory reforms to promote competition or the reform or rationalization of public enterprises an appropriate alternative to privatization?

## II. DESIGN AND IMPLEMENTATION OF PRIVATIZATION PROGRAMMES

9. The experiences and results of privatization are mixed. As regards the scale and pace of privatization, it is still modest in most developing countries, with more progress being registered in the larger or high-or medium-income developing countries than in the smaller or low-income developing countries, and progress being less advanced than anticipated in the countries undergoing the process of transition to a market economy. As regards the enterprises privatized, there has been faster progress for small and medium-sized enterprises in competitive sectors than for large-scale enterprises in non-competitive sectors. However, the World Bank has reported that the last two years have seen an increase not only in the number of large public enterprises being sold or readied for sale, but also in the number of countries undertaking privatization, as well as a pick-up in the pace of sales.1/

10. Policy choices concerning the scale and pace of privatization, the enterprises to be privatized, the methods of privatization, as well as priorities, are country-specific. They depend inter alia on the government's objectives, the sectors and enterprises which are most in need of new investments and efficiency improvements, and a number of factors which affect the design, implementation and outcomes of privatization programmes. These factors fall into two categories. One relates to the nature of the market into which the enterprise will be divested, i.e. whether it is competitive or non-competitive. The other set of factors concerns the conditions in the country concerned, including its overall macroeconomic policy framework (i.e. whether it is "market friendly" or not), its legal framework and regulatory and supervisory capacity, the size of its private sector, the availability of managerial and entrepreneurial skills, the level of development of its financial institutions and capital markets, the level of interest of external investors, and its political and social conditions.

11. In a favourable country environment, the divestiture of an enterprise in a competitive sector may require no more than adequate attention to transparency in the transaction, plus the removal of any inappropriate regulation or price controls. In the case of non-competitive sectors, the divestiture of an enterprise will need to be preceded by the establishment of a regulatory system to protect consumer welfare and the public interest. For many high- and middle-income countries, this can be done without much difficulty given their regulatory and supervisory capacity.

12. However, in an unfavourable country setting, with low regulatory capacity, major difficulties may arise, particularly with the transfer of ownership in non-competitive sectors. Experience suggests that countries in such situations may find it appropriate to start with small-scale sales and transfer of management arrangements for large-scale enterprises, such as management contracts, leasing and operating concessions, together with the establishment of an appropriate regulatory framework to promote competition and to safeguard consumer welfare. Such measures can serve as useful preparatory steps to ownership transfers.

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13. In the countries undergoing the process of transition to a market economy, mass privatization is under consideration or has been launched. This could take several forms: transferring ownership to the existing managers and workers; turning enterprises into joint stock companies and distributing a percentage of shares to existing managers and workers; creating mutual funds cum holding companies, and distributing their shares to the public; distributing to the public vouchers or coupons that entitle them to bid directly for shares in individual firms - and several variations thereof.

14. Against this background, the questions that may be addressed include:

(a) What has been the impact of privatization in terms of scale and efficiency gains in both competitive and non-competitive markets?

(b) What are the major factors which have influenced the formulation and implementation of privatization policies and programmes, including the scale, pace, sequencing and methods of privatization, as well as the selection of enterprises for privatization?

(c) Under what circumstances would the reform or rationalization of public enterprises be a necessary preparatory step to privatization?

(d) What role should the State play in enterprise development and in privatization? What instruments have been used for the development of the private sector, for the promotion of the efficiency of public enterprises and for the implementation of privatization?

(e) What lessons may be drawn from privatizations which have failed?

## III. SOME SELECTED ISSUES OF PRIVATIZATION

### A. Techniques for privatization

15. Once it has been decided to proceed with the privatization of an enterprise, a series of measures need to be taken. These include: (i) formulation of the preparatory action to be taken in advance of the privatization (whether the privatization should be preceded by restructuring of the enterprise, new investments, writing down of the enterprise liabilities, etc.); (ii) choice of the selling or transfer techniques to be adopted (private sales, public auctions, public share offerings, liquidation followed by sale of assets, direct negotiations, competitive bidding, joint ventures, sale of a core shareholding to a strategic investor, voucher or other schemes etc.); (iii) evaluation of the selling price (determination of a market-based price through competitive bidding, asset valuation as a benchmark, determination of the unit share price etc.); (iv) identification of any particular conditions to be attached to the sale (performance requirements, protection of employment during a specified period, retention of a "golden" or priority share for the Government, etc.); (v) identification of any particular issues raised because of the nature of the enterprise, as in the case of natural monopolies or public utilities (avoidance of the concentration of market power, environmental protection, etc.); and (vi) formulation of a public relations or marketing strategy (promotion of transparency of the privatization transaction; public explanation of the costs and benefits of privatization, etc.).

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B. The financing of privatization[2]

16. While sales for cash are preferable to debt, public offerings often do not achieve their targets owing to weak financial systems. Some Governments have further constrained the sales market by excluding or favouring certain social groups or placing restrictions on the participation of institutional investors, financial institutions or foreign investors. Countries have also resorted to government credit to finance sales, because financial systems are not strong enough, the enterprises concerned are not sufficiently attractive and the preferred buyers do not have the necessary funds. Ways to ease financing constraints may be needed in order to avoid the extensive use of debt or highly-leveraged sales. Debt/equity swaps can ease financing constraints and help to improve a country's investment climate, but their use needs to be weighed against the alternative of selling the asset and using the proceeds to buy back debt on the market. The massive transfer of public assets to the population at large as a means of easing financial constraints has been undertaken in countries undergoing the process of transition to a market economy. Private sector financing through Build-Operate-Transfer arrangements can provide another source of investment finance for infrastructure development. Where perceptions of country risk are high, some assistance from international agencies and bilateral donors in gaining access to financial markets may be needed.

C. Legal aspects of privatization

17. Existing legislation, as well as the legal status of the enterprises to be divested, must be analysed in order to determine whether they allow privatization and are consistent with the Government's objectives, or whether they need to be amended. Laws may need to be enacted to abolish a monopoly, regulate or deregulate the sector concerned, strengthen the country's capital markets, authorize the transfer of the enterprise to the private sector or organize the privatization process itself. Such laws can also influence the decisions of foreign investors. This is an important consideration where external capital is needed for the privatization of large-scale enterprises. Where the legal status of an enterprise does not allow or facilitate privatization, a change in the status will be required (e.g. corporatization). If the ownership of assets is disputed, the rights of contending parties must be clarified and an efficient judiciary system ensuring effective legal enforcement is needed. During the implementation stage, legal issues including the avoidance of conflicts of interest and the treatment of the enterprise creditors' rights will need to be addressed. Following completion of the privatization transaction, legal safeguards are required in order to ensure compliance with the terms of the privatization agreements. The regulatory framework may also have to be adjusted to allow the private enterprise to develop, while safeguarding consumer welfare and the public interest.

D. Support measures

18. Another set of issues relates to the design of privatization programmes in order to minimize any adverse social impact. This concerns the support measures that are needed and their financing. Such measures may include retraining programmes coupled with employment creation, severance packages, financial incentives for the creation of small and medium-sized enterprises, unemployment insurance and other elements of the social safety net.

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E. Institutional arrangements

19. Institutional arrangements will need to be established for the planning, negotiating, implementation and monitoring of privatization arrangements. While policy responsibilities for privatization will need to be vested in a central authority with a clear mandate, sufficient autonomy, and ready access to top decision-makers, implementation tasks may be decentralized to other entities operating under the supervision of the central authority. Certain procedures and criteria may have to be established for evaluating the performance and results of privatization programmes, including their political, economic and social dimensions.

F. Regulation, competition and privatization

20. The privatization of public utilities and services in non-competitive markets, such as telecommunications and power, raises questions concerning the relationship of regulation, competition and ownership. They include questions concerning the desirability of change of ownership where there is no possibility to achieve market competition; the relative impact on efficiency gains of effective competition, regulatory reforms and privatization; the role of competition policy in separating natural monopoly activities (e.g. basic communications services) from activities (e.g. sale of user equipment) where competition is possible; and the role of regulation in enhancing competition and in safeguarding consumer welfare where full or partial privatization is undertaken.

G. Possible issues for discussion

21. In the light of the above, the questions that may be addressed include:

(a) What are the techniques which have been used for privatization? What lessons may be drawn from them? What unforeseen issues have arisen and how have they been dealt with?

(b) What particular issues have been raised in specific sectors or areas, e.g. trade and trade-related services such as marketing and distribution, banking and insurance? What lessons may be learned from privatization programmes in such areas?

(c) What particular issues have been raised in the case of the privatization of "natural monopolies" or public enterprises which enjoy a monopolistic or oligopolistic market situation? Can preparatory action break up monopolies or minimize their impact without substantial loss of efficiency and scale-economies? What safeguards have become necessary and which have been adopted?

(d) What has been the experience regarding the financing of privatization? What have been the respective roles of domestic financial institutions and capital markets and of foreign direct investment in the privatization process? What particular instruments have been used for the mobilization of both domestic and external resources and with what results? What has been the role of multilateral and bilateral financial institutions? What has been the contribution of privatization-led wider share ownership to domestic resource mobilization?

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(e) What legal issues have been raised in the preparation, implementation and follow-up of the privatization process? What legal instruments have had to be enacted? Given the time-consuming process of enacting laws, how has that process affected the timetable for privatization?

(f) How have privatization programmes been designed in order to minimize their adverse social impact? What support measures have been used and how have they been financed?

(g) What institutional arrangements and institutions have been established for the planning, negotiating, implementation and monitoring of privatization? What lessons may be drawn from such arrangements and institutions, particularly as regards the centralization or decentralization of privatization policy responsibilities and implementation tasks?

(h) What procedures and criteria have been used for monitoring and evaluating the performance and results of privatization programmes? What weight has been given to political and social considerations, in addition to economic ones?

(i) How important are change of ownership, the strength of competitive forces and the quality of government regulation as factors in achieving efficiency gains? What functions does competition policy fulfil in the privatization process?

## IV. ORGANIZATION OF WORK

22. In line with the terms of reference, and in order to take into account the diversity of country situations and experiences, the method of work of the Working Group should be based on active participation of national experts from developed countries, countries undergoing the process of transition to a market economy and developing countries at different levels of development, as well as the participation of representatives of international institutions, private enterprises, trade unions, the academic community, business associations and other non-governmental organizations. This broad-based participation of experts will be instrumental in the successful outcome of the work of the Working Group.

23. In establishing its work programme, the Working Group would need to take decisions at its first session involving:

- drawing up of priorities among the issues to be addressed;
- timing of future sessions;
- sequencing of the supporting work of the secretariat;
- requests for inputs from national experts, non-governmental actors and representatives of international institutions;
- outlines of country studies for comparative analysis;
- arrangements for the presentation of national plans and programmes for privatization (see para. 5 of the terms of reference);
- identification of areas in which technical cooperation should be strengthened (see para. 8 of the terms of reference); and
- possible setting up of experts groups.

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24. With regard to the latter, it will be recalled that, while the duration of the Working Group is limited to two years, the issues to be examined are numerous and some of them highly technical. Some of the issues mentioned above - for example privatization techniques or privatization results and their evaluation - would lend themselves to detailed examination by expert groups, whose establishment could be recommended for the consideration of the Board.

25. In order to expedite its work, the Working Group may wish to devote its first session not only to organizational but also to substantive matters. For example, a preliminary discussion of the issues raised in this paper would help the Working Group in drawing up its work programme and setting its priorities.

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1/ Privatization: The lessons of experience, World Bank, Country Economics Department, April 1992.

2/ In addressing this topic, the Working Group would benefit from the activities of the Ad hoc Working Group on Investment and Financial Flows; Non-debt-creating Finance for Development; New Mechanisms for Increasing Investment and Financial Flows, the first session of which is to be held from 9 to 13 November 1992.

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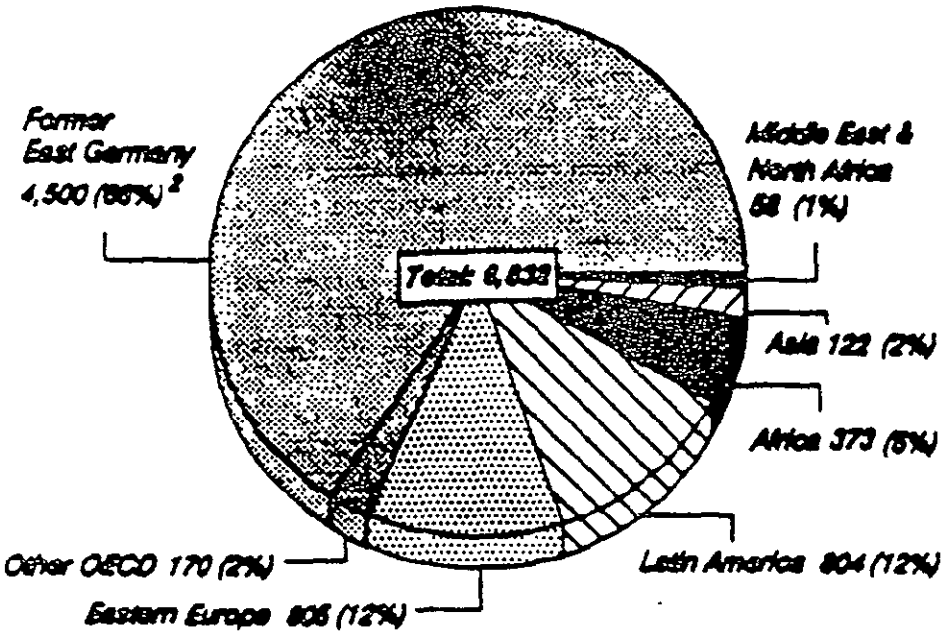
UNCTAD Attachment

## *Figure I Number of SOEs Privatized Worldwide by Region[1], 1980-1991*

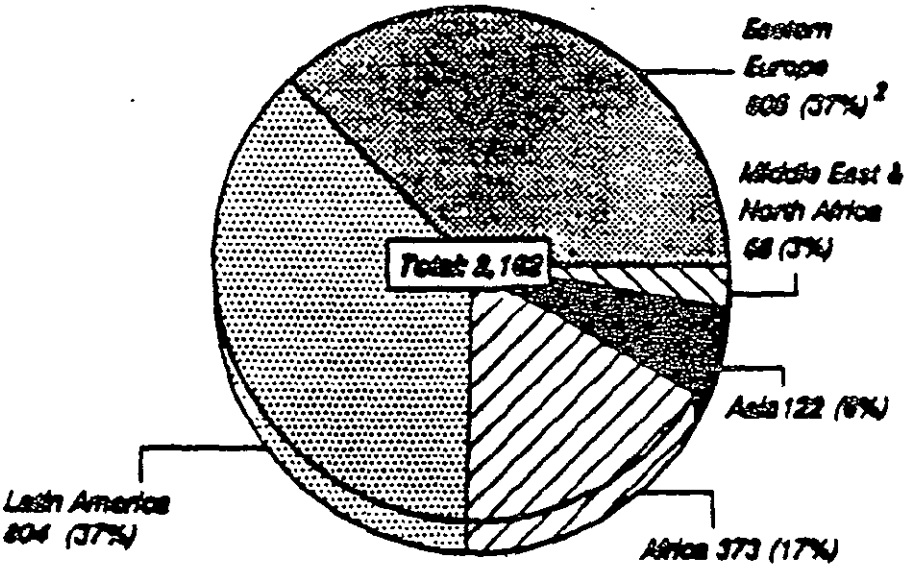



Source: OECD/World Bank

1 Includes any state which reduces government share below 50% and liquidations; excludes reprivatizations.

2 May include partial (minority) sales.

## *Figure II. Developing Countries: Number of Privatized SOEs by Region[1], 1980-1991*




Source: CSCPG/World Bank

1 Includes any sale which reduces government share below 50% and liquidations; excludes reprivatizations.

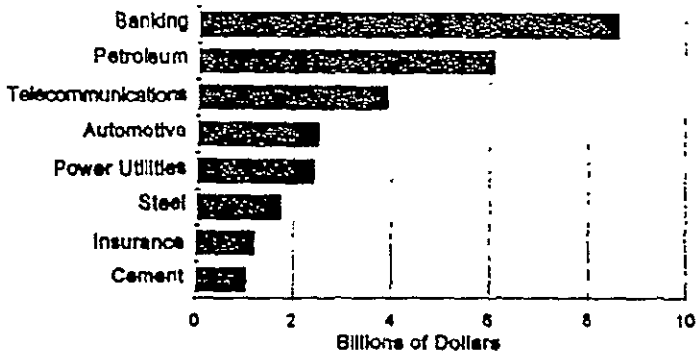
2 May include partial (minority) sales.

*Figure III*

Fin Mark Research, Inc.

## Privatization by Industry

January 1992 - August 1992

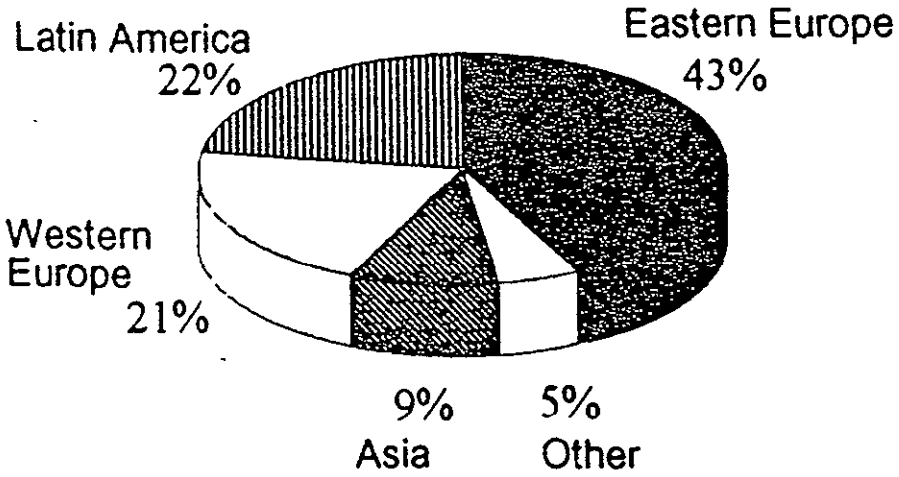



An analysis of year-to-date privatization transactions by industry sector places the banking industry out in front with $8.6 billion in transaction volume. Mexican bank privatizations alone accounted for nearly half of the sector total.

The petroleum industry received a considerable boost from the Treuhandanstalt's privatization of the Minol Minerolhandel service station network and the Leuna-Werke refining activities. The $4.5 billion transaction is one of Germany's largest to date and included French and German corporate investors. The petroleum sector accounted for almost $6.1 billion in transaction value during the period.

Other industry sectors with significant privatization transaction values during the period include telecommunications, $3.9 billion; automobiles, $2.5 billion; power utilities, $2.4 billion; steel, $1.7 billion; insurance, $1.2 billion; and cement, $1.0 billion. ●

# Regional Distribution of Privatization Activity*




*January 1992 - August 1992