



Project no. CIT5-CT-2005-028647

Project acronym: UPP

Project title: “Understanding Privatisation Policy: Political Economy and Welfare Effects”

Instrument: SPECIFIC TARGETED RESEARCH PROJECT

Thematic Priority:7- “Citizens and governance in a Knowledge-based society”

Deliverable: D.3.3

“Report on privatization in the MEDA region”

Privatisation in the MEDA Region: where do we stand?

Céline Kauffmann

Lucia Wegner

Due date of deliverable: 31 July 2007

Actual submission date: 28 September 2007

Start date of project: 01/02/2006

Duration: 2 years

Organisation name of lead contractor for this deliverable:

Fondazione Eni Enrico Mattei (FEEM)

Revision: draft 1

| Project co-funded by the European Commission within the Sixth Framework Programme (2002-2006) | | |
|--|--|----------|
| Dissemination Level | | |
| PU | Public | x |
| PP | Restricted to other programme participants (including the Commission Services) | |
| RE | Restricted to a group specified by the consortium (including the Commission Services) | |
| CO | Confidential, only for members of the consortium (including the Commission Services) | |

TABLE OF CONTENTS

| | |
|--|----|
| ACKNOWLEDGEMENTS | 3 |
| PREFACE | 4 |
| SUMMARY | 6 |
| RÉSUMÉ..... | 8 |
| ABSTRACT | 9 |
| I. PRIVATISATION IN THE MEDA REGION: THE RECORD SO FAR..... | 10 |
| The Overall Trends: Numbers, Proceeds, Sectors and Methods..... | 11 |
| A. Regional Trends in Number and Proceeds | 11 |
| B. Trends in Number and Proceeds by Country..... | 12 |
| C. Contribution by Sectors | 15 |
| D. The Methods..... | 16 |
| Country Experiences..... | 17 |
| A. Algeria..... | 19 |
| B. Egypt..... | 20 |
| C. Jordan | 21 |
| D. Malta..... | 22 |
| E. Morocco..... | 23 |
| F. Tunisia..... | 24 |
| G. Turkey | 25 |
| II. ASSESSING THE IMPACT OF PRIVATISATION..... | 27 |
| The Objectives of Privatisation..... | 27 |
| Have the Objectives been achieved?..... | 27 |
| A. The Fiscal Impact: Improving Government Finances | 29 |
| B. Efficiency Gains: Impact on Output, Tariffs, Quality and Access | 30 |
| C. Development of Financial Markets and of Private Sector..... | 36 |
| III. CONCLUSIONS AND IMPLICATIONS FOR POLICY | 40 |
| BIBLIOGRAPHY | 42 |
| OTHER TITLES IN THE SERIES/ AUTRES TITRES DANS LA SÉRIE..... | 45 |

ACKNOWLEDGEMENTS

We are very grateful to Andrea Goldstein and Federico Bonaglia for guidance and useful comments. Gabriel Prevost and Loukas Balafoutas provided great assistance in collecting the data and compiling the PRIVMEDA database. Sunita Kikeri from the Investment Climate Department of the World Bank helped to improve the paper tremendously by providing useful comments. We thank Alexander Böhmer, Hans Christiansen and Alissa Koldertsova for very helpful suggestions.

We would like to thank the Fondazione ENI Enrico Mattei (FEEM), and in particular Bernardo Bortolotti, and the Consortium of the project Understanding Privatisation Policy: Political Economy and Welfare Effects (UPP) funded by the European Commission within FP6 (Project no. CIT5-CT-2005-028647), for their valuable comments and insights on an earlier draft presented at the UPP Prague meeting on 16 February 2007.

The usual caveats apply. In particular, the opinions expressed are the sole responsibility of the authors and do not necessarily reflect those of the OECD, the OECD Development Centre or the governments of their member countries.

PREFACE

The Euro-Mediterranean Partnership (Barcelona Process) is an ambitious partnership agreement among European Union's member states and their partners in the South of the Mediterranean Sea, most notably the MEDA countries. In the 20th century, state ownership characterised most MEDA countries – Algeria, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia and Turkey. The trade liberalisation agreements signed between the European Union and the Southern Mediterranean countries are now stalling, for various reasons, most notably because of considerable delays in needed structural adjustment and governance reforms. Market segmentation, a weak modern private sector, inadequate fiscal systems remain pervasive features of most of these economies. While privatisation is one of the policy options of the last decades chosen by many developing and transition economies, it seems that this option has hardly interested the MEDA region.

In 2006, the Development Centre started a research activity to examine the political economy of privatisation and regulatory reform in the MEDA countries. This research was funded by the European Commission (FP6) as part of a project co-ordinated by Fondazione ENI Enrico Mattei, a leading International research centre entitled Understanding Privatisation Policy: Political Economy and Welfare Effects (UPP). The Centre's contributions are also inputs to the on-going OECD-MENA Investment Initiative¹.

This paper is based on an original database that monitors privatisation operations in the MEDA countries up to the end of 2006. The publication highlights the sequencing of the privatisation process in the region and assesses whether the objectives embedded in this process, namely fiscal and efficiency gains, as well as private sector development, have been achieved.

Across the region, the process is not completed and some key strategic infrastructure companies are still earmarked for divestiture, particularly in transport infrastructure (national air carrier – in Egypt and Morocco, port container terminals in Morocco, Tunisia, and Egypt) and in the energy sector (oil companies in Egypt). The lessons learned from the past experience are therefore all the more useful to improve further divestitures.

Privatisation can be a successful tool for promoting efficiency, and private sector development when it is part of a broader process of structural reforms which involves setting up a proper regulatory framework, major improvements in the business climate, and liberalisation of the financial market. The example of successes and failures documented in the paper demonstrate that setting up of independent and well-enforced regulation has been crucial in providing incentives to undertake investments. Indeed, private investors have not shied away from the MEDA region when they have sensed strong commitment from the state to ensure the credibility of the reform; and the population at large has not been opposed to reforms when it has perceived tangible and fairly distributed gains from that process.

Javier Santiso

Acting Director, OECD Development Centre

Chief Development Economist, OECD

July 2007

1. www.oecd.org/mena

SUMMARY

This paper is a first attempt to assess the progress of the privatisation process in the MEDA region (Algeria, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia and Turkey), using PRIVMEDA, a new database monitoring privatisation operations in the MEDA countries up to 2006. The process of privatisation in MEDA countries shares several similarities with what has been observed in other regions. At the beginning private sector activity was concentrated in a small number of large firms that benefited from protective policies, along with a number of micro-enterprises, accounting for much of the employment, but having little access to formal finance, markets or government support programs. The first wave of privatisations – which spans the decade of the 1990s – focused almost exclusively on profit-making enterprises in the tourism, transport, food and construction material sector.

The process slowed down and stalled in 2002, before rebounding from 2003 to reach a peak in 2005. This pattern reflects the difficulties of early beginners – Egypt, Morocco, and Turkey - in tackling the larger companies and the difficulties of the late comers - Algeria, Jordan and Israel - to implement their privatisation programme. After 2003, not only the process accelerated, but it started involving divestiture of the largest companies (Telecom Egypt in 2005, Turk Telekom in 2005, Bank of Alexandria in 2006, and Tunisie Télécom in 2006, oil refinery Tupras and Ashdod in Turkey and Israel respectively). As of today, some key strategic infrastructure companies are still earmarked for divestiture, particularly in transport (e.g. national air carriers in Egypt and Morocco, port container terminals in Morocco, Tunisia, and Egypt) and in the energy sector (e.g. oil companies in Egypt, electricity distribution network in Turkey). An assessment of past experiences is therefore all the more useful, as the lessons learnt from the past fifteen years of privatisation can be used to improve divestiture methods for the companies that remain to be privatised.

The second part of the paper therefore assesses the outcome of the privatisation process implemented so far in the MEDA region in light of three objectives of privatisation, as viewed from the standpoint of the respective potential beneficiaries. First, from a government point of view we review fiscal objectives. Then, from a market and consumer perspective, we assess the improvement in economic efficiency generated by the change of ownership, also looking at the impact on prices and access. Finally, the paper examines whether MEDA stock markets have benefited from privatisation and, in general, if the reform has led to the development of the local private sector.

The experience of MEDA countries does not differ significantly from that of other parts of the world, and documented for instance by OECD (2003) in the case of OECD countries and Berthélemy *et al.* (2004) in the case of sub-Saharan Africa. Privatisation can be a successful tool for promoting efficiency and private sector development, but only when embedded in a package of measures that includes putting in place a proper regulatory system, major improvements in the business climate, and liberalisation of the financial market. Overall, reviewing successful privatisation practices reveals that performance gains, reduction in tariffs and improvement in access appear stronger in countries where there are: strong commitment and ownership by the state to ensure the credibility of the reform to the private investor; proper sequencing of the process, including a restructuring phase and the appointment of a regulatory body prior to the divestiture; and independent and well-enforced regulation to discipline the private sector and provide the appropriate incentives to undertake investments. In addition, as shown by the experience of

Tunisia and Morocco, privatisation can be a catalyst for the development of the private sector if combined with reforms of the business climate and of the financial market.

RÉSUMÉ

Cet article est une première tentative d'évaluer les progrès du processus de privatisation dans la région MEDA (Algérie, Égypte, Israël, Jordanie, Liban, Malte, Maroc, Syrie, Tunisie et Turquie), en utilisant PRIVMEDA, une nouvelle base de données exhaustive sur les opérations de privatisation dans les pays MEDA jusqu'en 2006. Le processus de privatisation dans les pays MEDA partage plusieurs similitudes avec ce qui a été observé dans d'autres régions. Au début des années 1990, le secteur privé se réduisait à un nombre restreint de grandes sociétés protégées par les politiques protectionnistes, et aux micro-entreprises créatrices d'emploi, mais ayant peu d'accès aux modes de financement formels et aux programmes de soutien des gouvernements. La première vague de privatisations - au cours des années 90 - s'est concentrée presque exclusivement sur les entreprises des secteurs du tourisme, du transport, de l'agro-alimentaire et des matériaux de construction. Le processus s'est ralenti ensuite pour atteindre un creux en 2002, avant de rebondir de nouveau à partir de 2003 pour atteindre un pic en 2005. Cette évolution reflète les difficultés des pays précurseurs - l'Égypte, le Maroc, et la Turquie - à aborder la réforme des compagnies plus importantes, mais également les difficultés des nouveaux arrivants - Algérie, Jordanie, Israël - à amorcer leur programme de privatisation. Le processus s'est ensuite accéléré au cours des cinq dernières années et a commencé à comporter le désengagement d'entreprises plus substantielles (Telecom Égypte en 2005, Turc Telekom en 2005, banque d'Alexandrie en 2006, et Tunisie Télécom en 2006, raffinerie de pétrole Tupras et Ashdod en Turquie et en Israël respectivement). Aujourd'hui, certaines compagnies stratégiques restent encore à privatiser dans le domaine des infrastructures, en particulier dans le secteur des transports (par exemple les compagnies nationales aériennes en Égypte et au Maroc et les ports à containers au Maroc, en Tunisie, et en Égypte) et dans le secteur d'énergie (par exemple les compagnies pétrolières en Égypte, le réseau de distribution de l'électricité en Turquie). Une évaluation des expériences passées est donc d'autant plus utile, que les leçons tirées des quinze dernières années de privatisation peuvent permettre d'améliorer le processus de désengagement des compagnies qui restent encore à privatiser.

La deuxième partie du papier évalue les résultats du processus de privatisation à la lumière de trois objectifs clés en fonction du point de vue des bénéficiaires potentiels. D'abord, prenant le point de vue de l'état, nous passons en revue l'objectif budgétaire. Puis, adoptant l'angle du consommateur, nous évaluons l'amélioration de l'efficacité économique issue de la privatisation, ainsi que son impact sur les prix et sur l'accès. Finalement, le papier examine si les marchés boursiers des pays MEDA ont tiré bénéfice de la privatisation, et en général si la réforme a permis un plus grand développement du secteur privé local. Dans une certaine mesure, l'expérience des pays MEDA ne diffère pas de celle des autres régions du monde. Là aussi, la privatisation peut être un levier d'amélioration de l'efficacité et de promotion du secteur privé si elle participe d'un ensemble de mesures comportant l'établissement d'un cadre réglementaire approprié, l'amélioration de l'environnement des affaires et la libéralisation des marchés financiers.

Les expériences de privatisation réussie indiquent que les gains d'efficacité, la réduction des tarifs et l'amélioration de l'accès sont plus importants dans les pays où il y a un engagement de l'état pour assurer la crédibilité des réformes ; une séquence appropriée du processus, y compris une phase de restructuration et la mise en place d'un organisme de régulation avant la réforme ; et un cadre réglementaire indépendant et adéquat capable de discipliner les différents acteurs et de fournir les incitations appropriées pour entreprendre des investissements. En outre, les expériences de la Tunisie et du Maroc montrent que la privatisation peut être un catalyseur pour le développement du secteur privé quand elle est accompagnée de réformes de l'environnement des affaires et des marchés financiers.

ABSTRACT

This paper builds on a new database (PRIVMEDA) in order to assess the progress of the privatisation process in the MEDA countries of Algeria, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia and Turkey. The first part of the paper offers an overview of the privatisation record from 1990 to 2006. It shows that, as in other parts of the world, the first wave of privatisations in the 1990s, which focused almost exclusively on profit-making enterprises in the tourism, transport, food and construction material sectors, slowed down towards the early 2000s and rebounded in 2005 when larger utilities were earmarked for sale.

The second part of the paper assesses the outcome of the privatisation process in light of three key objectives: fiscal proceeds, economic efficiency and the development of the local private sector. It concludes that privatisation in the MEDA region can successfully promote efficiency and private sector development only when embedded in a package of measures, including the setting up of a proper regulatory framework, the improvement of the business climate and the liberalisation of financial markets.

JEL Classification: L33, G32

Keywords: Privatisation, public utilities, MEDA region, regulatory reforms.

I. PRIVATISATION IN THE MEDA REGION: THE RECORD SO FAR

This paper uses PRIVMEDA, a new database reporting systematic information on privatisation operations in the MEDA countries of Algeria, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia and Turkey up to 2006. Cyprus and Palestine, although formally part of MEDA, have no privatisation transactions reported in the database. In Cyprus, public enterprises are very few and limited to network services. Despite plans of privatising airport and telecom, little has been done. In Palestine, the process was started in 2006, but was relegated to backstage by the war.

PRIVMEDA complements the World Bank privatisation database with recent and detailed information on some 330 additional transactions. Information is provided up to the end of 2006, with some further elements on the pending transactions expected in 2007. Besides date, sector and proceeds, PRIVMEDA also offers information on the type of the transactions involved. Box 1 summarises the main classification of the database in terms of sectors, and type of deal.

Box 1: PRIVMEDA Database Definition and Classification

Seven broad sectors

Primary corresponds to agriculture including fishing and forestry. **Industry** corresponds to transformation activities such as agro-industry, textile and construction. **Mining** is defined separately. **Service** corresponds to trade activities and tourism. **Finance** is defined separately and includes privatisation of banks and insurance companies. **Energy** covers privatisation in the oil and gas production sectors. **Infrastructure** covers the privatisations taking place in the telecom, transports, electricity and water sectors. The firms that could not be associated to a particular sector are grouped under "Unspecified".

Nine privatisation methods

In line with the World Bank database and the database computed for sub-Saharan Africa in Berthélemy *et al.* (2004), all transactions involving a sale of assets or shares or the formal yielding of management control (as through a management contract) are included. Hence, the term "privatisation" is used generically to include the sale or disposal of some or all of the assets of public enterprises, the sale of government-owned shares in enterprises, reduction in the equity percentage held by a government through share dilutions or through transfer of enterprise assets to a new joint venture, liquidations, leases, concessions and management contracts. The paper classifies the transactions under the 9 following methods:

1- Sales of shares and assets are conducted through competitive bidding or direct negotiations. They include "preemptive rights", which refer to the selling by government to existing private shareholders who exercise preemptive rights to acquire those shares in accordance with specific provisions of the company's charter. Sales of shares and assets are the most commonly used privatisation methods in the MEDA region.

2- Public flotation refers to the sale of shares to individuals, financial institutions or private firms through the stock market.

3- Management buyout involves selling the business to its managers and /or employees, giving them control of the future direction of the business.

4- Liquidations involve selling all of a company's assets and paying its outstanding debt, leading de facto to ending its business.

5- In a joint venture, a company owned jointly by the private and public sectors is set up to complete a project that benefits both parties.

6- Transactions described as "Trustees" refer to privatisations achieved by transfer of shares of a public enterprise to a trustee for onward sale, at a later date or over a period, to the public or to selected segments of the public.

- 7- Under a **management contract**, a private firm is appointed by the government to provide managerial services for a fixed fee.
- 8- A **lease contract** is a written agreement under which a property owner allows a tenant to use the property for a specified period of time and rent.
- 9- In **concessions**, the government specifies the rules under which the company can operate locally.
- A **mix-method** involves two or more of the previous types of deal.

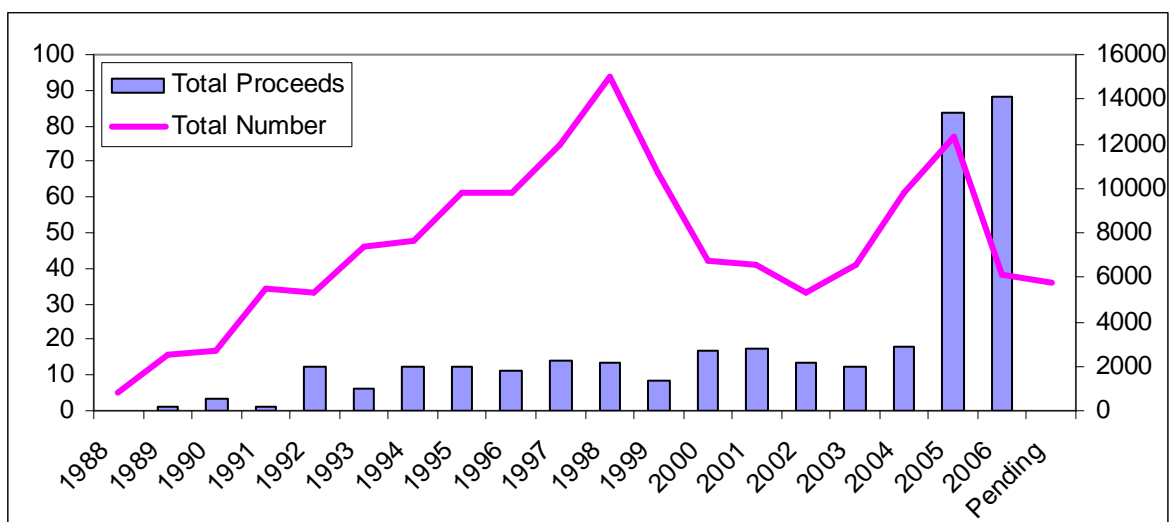
The Overall Trends: Numbers, Proceeds, Sectors and Methods

The total number of privatisations reported in the database is 926, including some 36 pending transactions, and total proceeds stand at \$55.6 billion. The total number refers to number of transactions, as opposed to number of firms privatised, hence the possibility of several transactions for a particular firm. As an example, Maroc Telecom is reported four times in the database: in 2001, 2004, 2005 and 2006 as the State was selling its shares gradually, passing from full state-ownership to 34 per cent. Total proceeds refer to transaction values and not to actual receipts accrued to the governments.

A. Regional Trends in Number and Proceeds

Privatisation transactions are not evenly spread over the period (Figure 1). The first recorded transaction took place in 1988 in Turkey and included the divestiture of Teletas, the telecom operator for some \$392 million. The annual number of privatisations throughout the region then increased until 1998 when it culminated at just below 100 transactions. After then, the process somehow slackened and reached a low early 2000 before rebounding and peaking again in 2005. This pattern reflects the difficulties of the early beginners – Egypt, Morocco and Turkey - in disposing of profit-making companies or in tackling the larger companies in the infrastructure or energy sectors. It is also the result of the difficulties of the late comers – Algeria, Israel, Jordan - to implement their privatisation programme. By contrast, the programmes were revived in all countries from 2003 on, leading to the number of privatisation transactions peaking again in 2005. Proceeds followed a similar pattern over the period: increasing slowly between the end of the 1980s until 2000, declining sharply in the early 2000s, but then rebounding significantly towards the end of the period. This sudden increase mainly reflects successful divestitures in the telecom sector in Egypt, Israel, Morocco, Tunisia and Turkey, as well as some important operations in the petroleum sector in Turkey (TUPRAS) and Israel (Oil Refinery Ashdod).

Figure 1: Annual Number of Privatisations (right scale) and Proceeds (\$million, left scale)

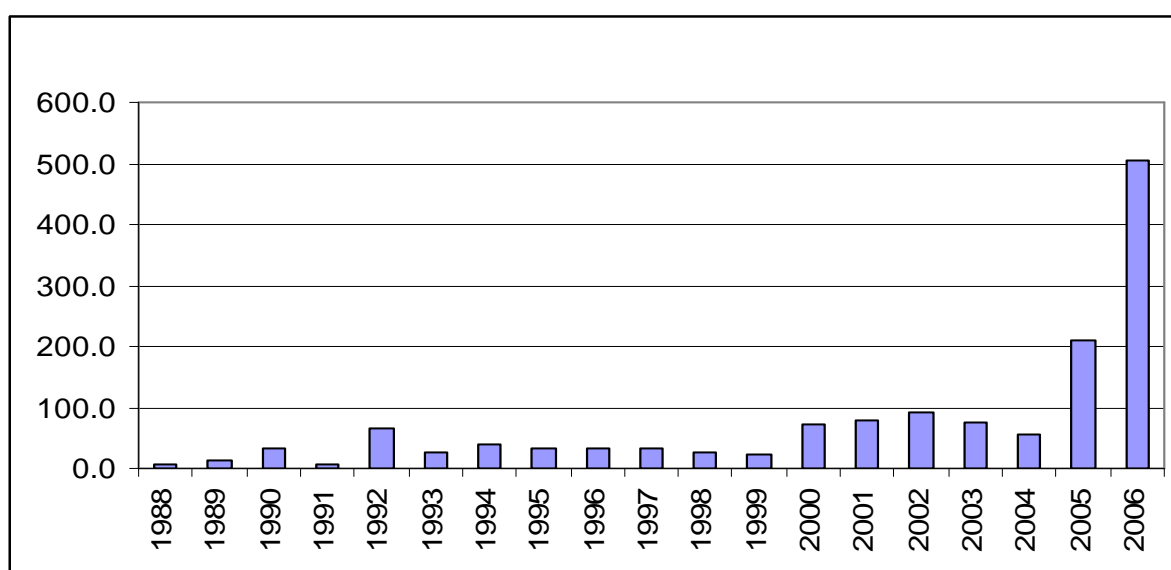


Source: PRIVMEDA.

Such trends are not specific to the MEDA region. They mimic the sequencing of the privatisation process initiated in the OECD countries in the mid 1980s, as reported by OECD (2003), and closely follow

the patterns of the African privatisation process as reported by Berthelemy et. al.(2004). It suggests that in the MEDA region, as elsewhere, countries first put emphasis on divesting the small and medium size enterprises in the competitive sectors (mainly industry and tourism as shown below by the different country experiences) before turning to the more sensitive sectors of network utilities (defined as infrastructure sectors in the database). As in the case of sub-Saharan Africa, the shift in the programme to larger companies in network services reflects the weak efficiency of public utilities and their failure to tackle the challenge of expanding access for the poor. It is also the result of immediate budget needs that led the authorities - under structural adjustment programmes with the International Financial Institutions - to seek quick cash flows. It is only in a second phase that the oil and mineral producing countries of the MEDA region began privatising what they perceived as strategic companies in the oil, gas and mining sectors. This shift to larger companies towards the end of the period is clearly reflected in Figure 2 that shows average proceeds per transaction strongly rising in 2005 and 2006.

Figure 2: Average Proceeds per Transaction 1988-2006 (\$million)

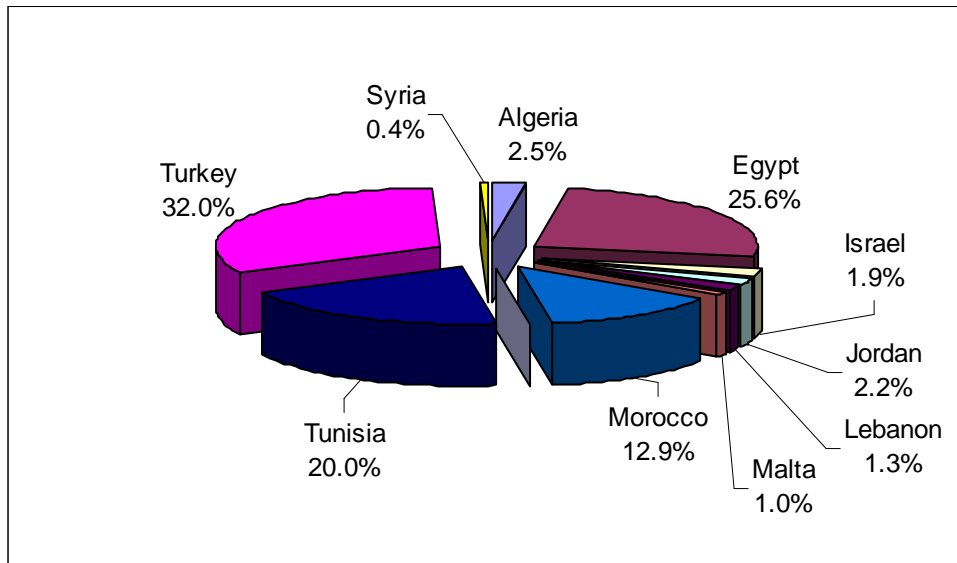


Source: PRIVMEDA.

B. Trends in Number and Proceeds by Country

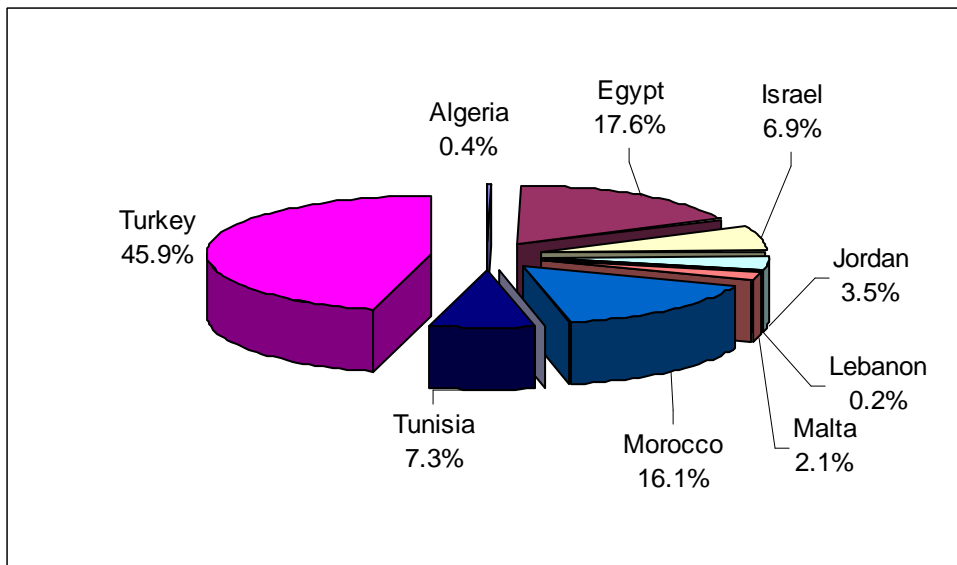
Compared to other regions, MEDA countries are however quite heterogeneous: some countries such as Tunisia are strongly opposed to privatisation of basic services; in others, such as in Algeria, energy companies have been largely shielded from privatisation so far. To account for such diversity, the different country experiences are described in a section below.

Figure 3: Country Shares, Number of Completed Transactions



Source: PRIVMEDA.

Figure 4: Country Shares, Privatisation Proceeds up to 2006



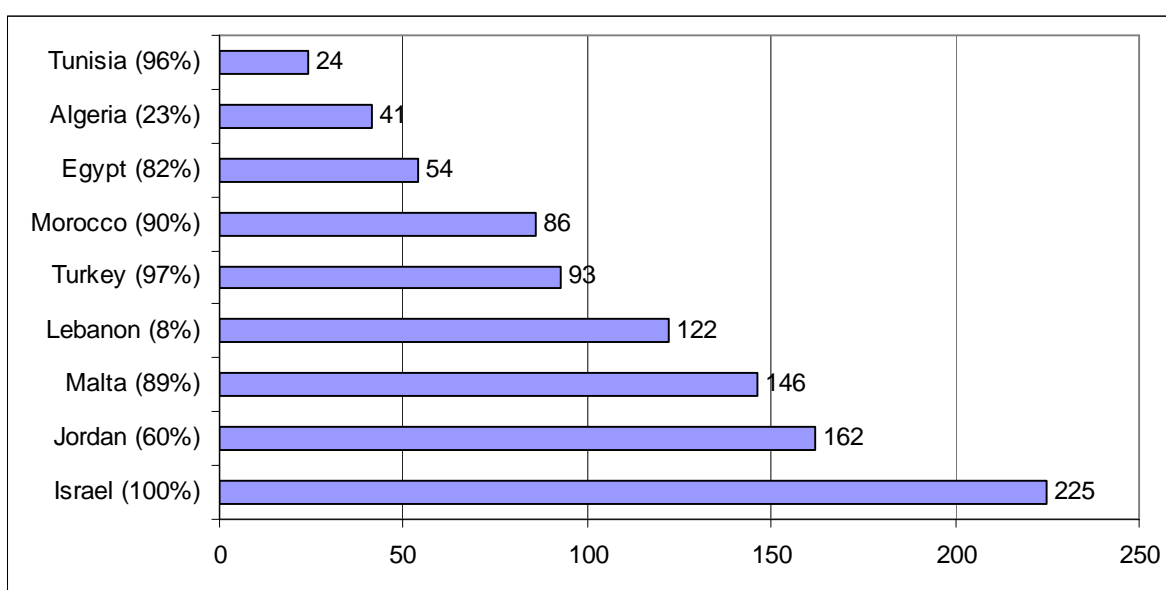
Source: PRIVMEDA.

Turkey and Egypt clearly lead the privatisation process with some 32 per cent and 25 per cent of the recorded number of transactions respectively (Figure 3). In terms of revenues, however, Turkey received almost half of the total proceeds over the period, while Morocco, with only 13 per cent of the transactions, closely follows Egypt with some 16 per cent of total financial flows (Figure 4). This situation reflects higher average proceeds in Morocco per transaction, almost 50 per cent greater than in Egypt (Figure 5). Evidence on proceeds per transaction must however be considered with caution. The proceeds accruing to governments are largely a function of the sector of the privatised company. Figure 6 demonstrates clearly that privatisations in infrastructure or energy (oil and gas) generate more proceeds than the competitive traded sectors. Privatised enterprises in the industry and tourism sectors are usually

smaller – with notably less significant assets than companies in the utility sector - and therefore lead to less significant proceeds. However, the difference in average proceeds per transaction also reflects the state of the enterprises at the time of their privatisation. Consequently the detailed analysis of proceeds shows wide variations across sectors, years and countries.

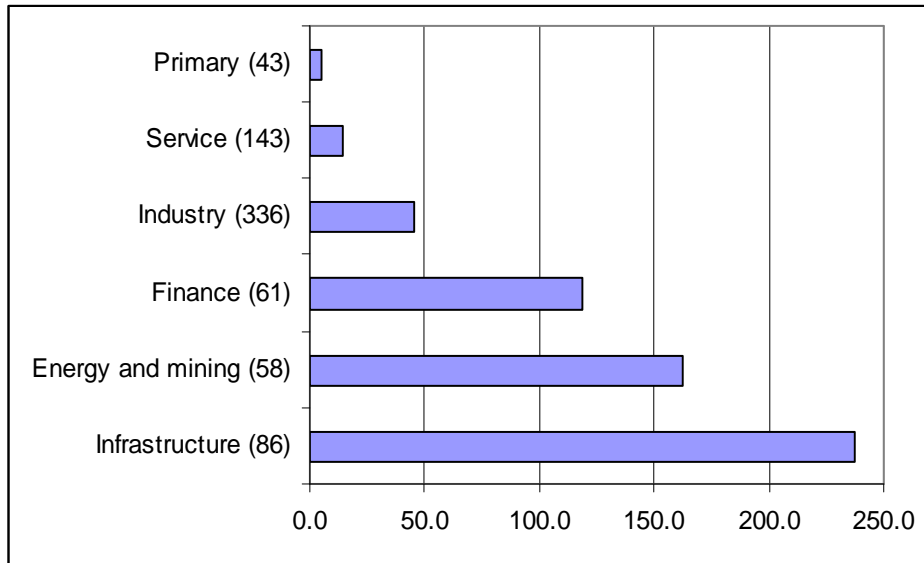
Of the 775 recorded transactions, the top three account for almost a quarter of the total value of proceeds, or some \$13.5 billion. They all took place in Turkey in 2005 and 2006: the most important was the sale of shares of Turk Telecom for a value of \$6.5 bn in 2005, then the sale of shares of the petroleum company Tupras for \$4.1 billion and the public flotation of Erdemir, the steel company for \$2.8 billion, both in 2006. The transactions in the telecom sector explains one third of total value (divided between some 19 transactions), followed by the energy sector, which accounts for some 16 per cent of total value.

Figure 5: Average Proceeds per Transaction (\$mill.), by Country
(% of informed transactions in brackets)



Source: PRIVMEDA.

Figure 6: Average Proceeds per Transaction (\$mill.), by Sector
(number of corresponding transactions in brackets)



Source: PRIVMEDA.

C. Contribution by Sectors

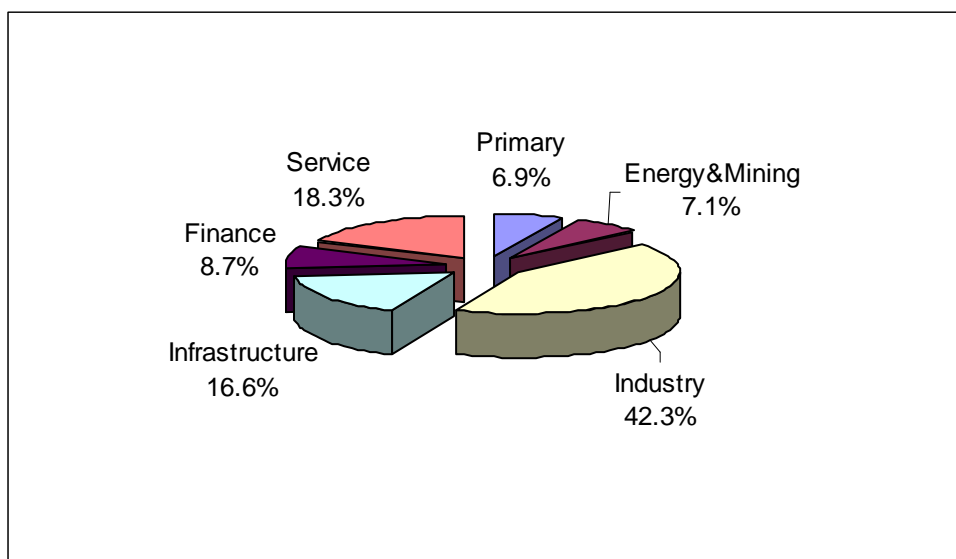
Overall, the majority of recorded transactions (some 42 per cent) took place in the industry sector (Figure 7). Its share reaches up to 60 per cent in Egypt, but is only 6 per cent in Israel where most privatisations were in the financial sector. The sub-sectors vary across countries. However, most companies under this heading belong to agro-industry, textile or construction. Services – mainly tourism and trade – come second with 18.3 per cent of recorded transactions. They represent however more than 40 per cent of privatisations in Tunisia where tourist hotels used to be mainly state-owned.

Privatisations in the infrastructure sectors of electricity, water, transport and telecom come third with some 16.6 per cent of total transactions. This share reaches two thirds in Lebanon and over half in Jordan and Malta. Conversely, this ratio is below 5 per cent in Tunisia where, with the exception of some operations in the telecom sector and in the transport sector (notably Air Tunis in 1995), the authorities remain strongly committed to public ownership of basic-services infrastructure and delivery. Among infrastructure services, the telecom sector has proved easier to divest as elsewhere in the world, and also the most lucrative as shown by the discussion on proceeds. All countries in the MEDA region have privatised the telecom incumbent and opened it up to competition (although reforms remain pending in Algeria and Lebanon).

The financial sector is fourth with 8.7 per cent of transactions. The financial sector is recognised as performing poorly in the MEDA region, as shown by high ratios of non performing loans in bank portfolios. Reforming it has become a priority for governments and explains the focus of privatisation programmes on financial institutions.

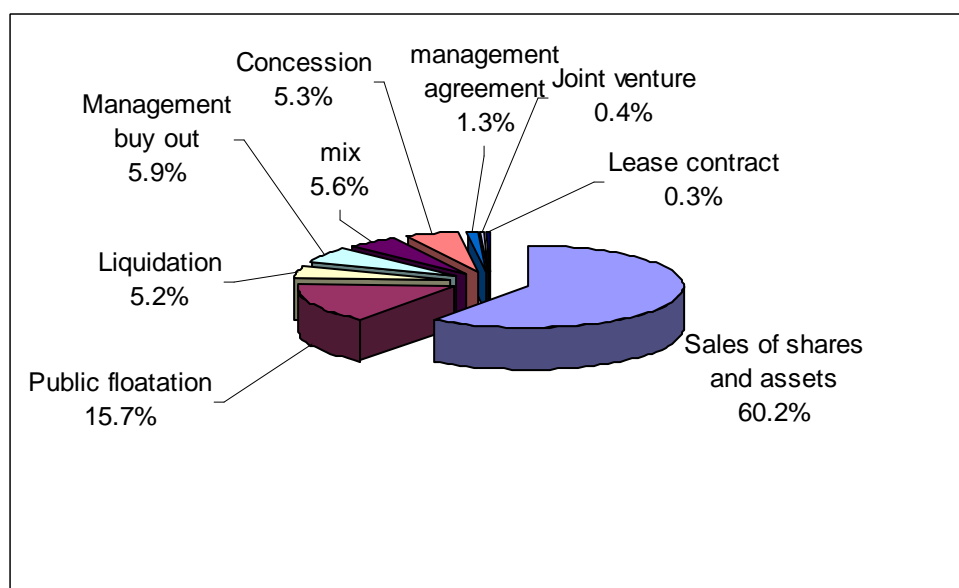
The energy and mining sectors come fifth. However, Morocco and Turkey account for most of the transactions in the energy and mining sectors. In Algeria and Egypt, where the energy sector accounts for respectively some 45 and 15 per cent of GDP, the authorities have been reluctant to relinquish their control over the national oil companies. Consequently, privatisation transactions in the sector amount to only 3 per cent of total operations (past and pending) in both countries.

Figure 7: **Sector Shares in Number of Privatisation (including pending transactions)**



Source: PRIVMEDA.

Figure 8: **Privatisation Methods**



Source: PRIVMEDA.

D. The Methods

Most transactions (some 60 per cent) in the MEDA region have been completed through sales of shares and assets (Figure 8) – pattern also recorded in the OECD countries as shown by OECD (2003) and the African countries (Berthélemy *et al.*, 2004). Public floatation has also been substantially used, for some 16 per cent of transactions. In some countries, privatisation has clearly been seen as a way to strengthen the stock market: in Algeria, three quarters of privatisation transactions have been conducted through public flotations; in Egypt, public flotations have been the most common method of privatisation (for 28 per cent of transactions). As compared to the privatisation process in sub-Saharan Africa, fewer restructuring have

led to complete liquidation (some 5 per cent of operations). Conversely, more transactions have led to employee and management involvement (through buy out). Most employee/management buy outs took place in Egypt in agricultural or trading companies. As elsewhere, concessions are mainly used in infrastructure sectors. The remaining methods of lease, joint venture and management agreements have been very seldom used.

Country Experiences

The MEDA region is quite heterogeneous as it includes relatively rich countries, such as Israel, Cyprus and Malta (European Union members since May 2004), an OECD (poorer) country (Turkey) and middle income developing countries such as Egypt, Morocco and Syria. Both Egypt and Turkey are heavy weights in the region in terms of population, with Turkey accounting for more than two fifth of the regional GDP (Table 1).

Table 1: Comparative Basic Data

| | <i>GDP per capita PPP \$ 2005</i> | <i>GDP \$ bn 2005</i> | <i>Population (‘000), 2005</i> | <i>Priv. Law</i> | <i>First priv.</i> | <i>Total number of priv. (up to 2006)</i> | <i>Pending priv.</i> | <i>Total proceeds (\$m)</i> |
|---------|---|-------------------------------|--|----------------------|------------------------|---|--------------------------|-------------------------------------|
| Algeria | 7 111 | 102.3 (12.2%) | 32 854 (12.7%) | 2001 (ordonnance) | 1996 | 22 | 11 | 206 |
| Cyprus | 22 805 | 15.4 (1.8%) | 835 (0.3%) | | ... | ... | ... | ... |
| Egypt | 4 455 | 89.3 (10.6) | 74 033 (28.7%) | 1991 | 1990 | 228 | 1 | 9 785 |
| Israel | 25 670 | 123.4 (14.7) | 6 725 (2.6%) | | 2000 | 17 | 1 | 3 820 |
| Jordan | 5 126 | 12.9 (1.5%) | 5 703 (2.2%) | 2000 | 1995 | 20 | 4 | 1 944 |
| Lebanon | 6 065 | 22.2 (2.6%) | 3 577 (1.4%) | | 1995 | 12 | 3 | 122 |
| Malta | 19 541 | 5.6 (0.7%) | 402 (0.2%) | | 1995 | 9 | 3 | 1 171 |
| Morocco | 4 421 | 51.7 (6.2%) | 31 478 (12.2%) | 1990 | 1993 | 115 | 8 | 8 946 |
| Syria | 3 842 | 26.3 (3.1%) | 19 043 (7.4%) | | 2000 | 4 | ... | ... |
| Tunisia | 8 298 | 28.7 (3.4%) | 10 102 (3.9%) | 1989 2004 | 1990 | 178 | 2 | 4 049 |
| Turkey | 8 430 | 363.3 (43.2%) | 73 193 (28.4%) | 1994 | 1988 | 285 | 3 | 25 523 |

Source: World Bank Development Indicators and PRIVMEDA.

Despite this heterogeneity, the countries' privatisation processes share some common features. Up to the 1980s, State-owned companies were involved in all sectors and provided on average 80 per cent of total government revenues in MEDA countries (revenues from property and tax, as reported by the Euro Mediterranean Network of Investment Promotion Agencies, ANIMA). Over 1978-1985, state-owned enterprises were contributing up to 70 per cent in GDP in Algeria, 37 per cent in Egypt and some 30 per cent in Tunisia where they also contributed to one fifth of employment (see table 2). Privatisation process started in the early 1990s (late 1980s in Turkey and early 2000 in Israel and Syria) with the divestiture of small entities from the competitive sectors (mostly industry and tourism). Under pressure to strengthen the competitiveness of their economy and tackle high poverty incidence, the countries have engaged in deep restructuring, including reforming their banking sector and developing their infrastructure. Private sector contribution has then been actively sought to compensate for the lack of public resources. Even though the process today is far from complete, most substantial privatisations (in the telecom, transport and energy sectors) have already been completed or are in the pipeline, with the notable exception of Algeria.

Table 2: Share of SOE in the Economy of Selected MEDA Countries

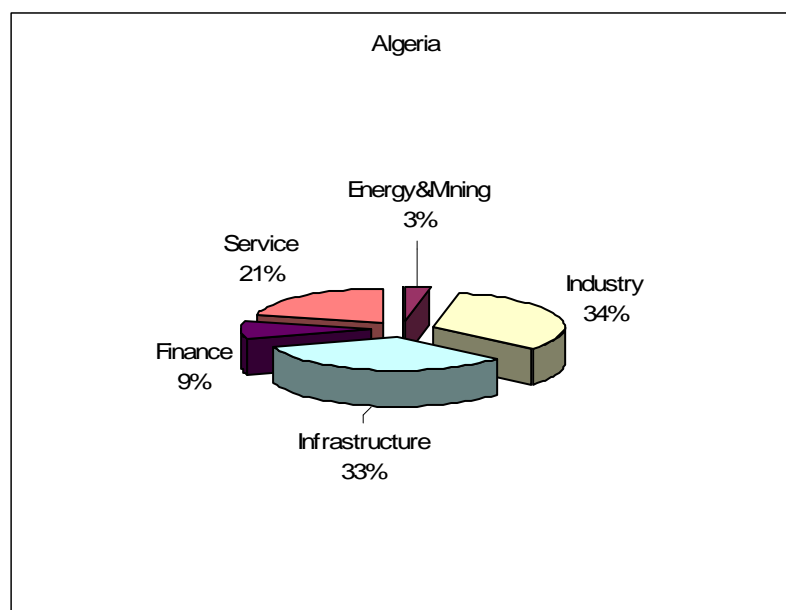
| | Share of SOE in GDP 1978-85 | Share of SOE in employment 1978-85 | Share of SOE investment in GDP 1978-85 |
|----------------|--------------------------------|---------------------------------------|---|
| Algeria | 69.9 | 8.1 | 20.6 |
| Egypt | 37.1 | 13.7 | 15.5 |
| Morocco | 18.6 | | 5.5 |
| Tunisia | 29.8 | 18.5 | 11.8 |
| Turkey | 6.3 | 3.5 | 8.9 |

Source: World Bank (1995), *Bureaucrats in Business*.

A. Algeria

The State plays a strong role in the economy of Algeria. Until mid 1980s, agricultural lands were collectively-owned and most industries were state-owned. By early 2000, some 60 per cent of government revenues were generated by state-owned companies (especially in the energy sector). The privatisation process started only recently: the programme was launched in 1995, but really took off only after 1998. The authorities claim some 500 privatisations up to the end of 2006, including 160 liquidations, for total proceeds of 55 billion dinars (\$740 million). However, little is known on these operations. As a result, only 22 transactions are reported in the database (up to 2006) for a total value of \$206 million, among which almost half are in the infrastructure sectors, a quarter in industry and one fifth in services, mostly in tourism. Despite heavy reliance of the economy on energy (oil and gas account for 45 per cent of GDP in 2005 according to the African Economic Outlook, 2007), no transaction in this sector is reported over the period and only one is foreseen (MIDOR). The authorities have clearly announced on several occasions their willingness to keep the energy sector (and most notably SONATRACH, the national oil company) under state-ownership. However, Algeria offers most of future privatisation opportunities. As of January 2005, the Euro Mediterranean Network of Investment Promotion Agencies (ANIMA) was reporting 785 privatisation projects in Algeria, compared to 34 in Turkey, 25 in Tunisia and 13 in Morocco. Most of those opportunities concern mid-size companies in the competitive sectors of manufacturing (agribusiness accounts for 22 per cent of total opportunities), construction (20.5 per cent of total opportunities), agriculture and tourism.

Figure 9: Sector Contribution in Privatisation Transaction, Algeria



Source: PRIVMEDA.

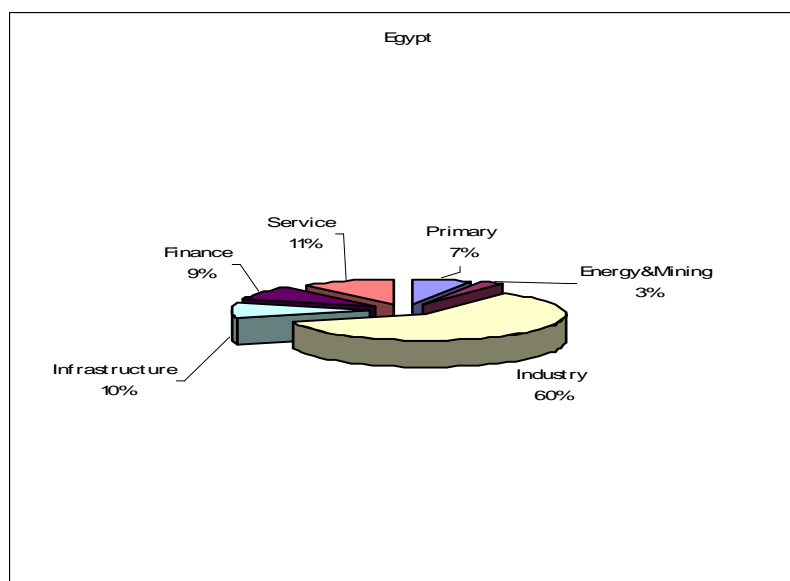
B. Egypt

With state-owned companies accounting for 37 per cent of GDP and some 14 per cent of employment, State involvement has been traditionally high in Egypt. The privatisation process started timidly in the early 1990s underpinned by the 1991 law on sale of assets and shareholdings in public enterprises and picked up towards the end of the decade, when most of the profit-making enterprises from the competitive sector, were sold. As a result, 60 per cent of all transactions recorded in the database involve the industry sector. After this period, the process stagnated for some years as enterprises left to privatize were mainly either large companies over which the government wanted to retain control or loss making ones, little attractive to investors. The privatisation program was revived in 2004/05 when the reformist Prime Minister Ahmed Nazif came into office and proceeds reached about \$1 billion for the 2004/05 fiscal year. The largest transaction was the sale of a 30 per cent stake in the Suez Cement Company to Ciment Francais and the initial public offering (IPO) of a 20 per cent stake in Sidi Krier Petrochemicals Company. A 20 per cent stake of Telecom Egypt was further sold through an IPO in December 2005, raising \$0.9 billion. More recently, government action shifted to banking sector reform. In 2006, the government sold its stakes in joint venture banks. Bank of Alexandria, the smallest of the "big four" state-owned banks, was sold at the end of October 2006, when Sanpaolo IMI of Italy acquired a 80 per cent share for (higher than expected) \$1.6 billion.

This new impetus to promote privatisation reflects the government's political stance that no sector should be considered strategic and as such protected from privatisation. As a consequence, the authorities are actively seeking to promote private sector participation in the key sectors of petroleum and infrastructure. In that context, the government is planning to sell a 20 per cent stake in EgyptAir on the Cairo & Alexandria Stock Exchange, although a precise date for the IPO has not yet been announced. Likewise, Port of Hong Kong entered into a 25 year build, operate and transfer (BOT) agreement with a consortium led by the Alexandria port Authority to modernize, expand and manage the container terminals at Alexandria and Dekheila ports. However, privatisation of the loss-making railway has been ruled out. The railway law was amended, but only to permit the use of public-private partnership (PPP) schemes in new projects. The energy sector, pillar to the Egyptian economy at 15 per cent of GDP, and largely

excluded from privatisation until recently, is now at the centre of government action with planned divestiture from the Alexandria Mineral Oil Company (AMOC) and from the Middle East Oil Refinery.

Figure 10: Sector Contribution in Privatisation Transaction, Egypt

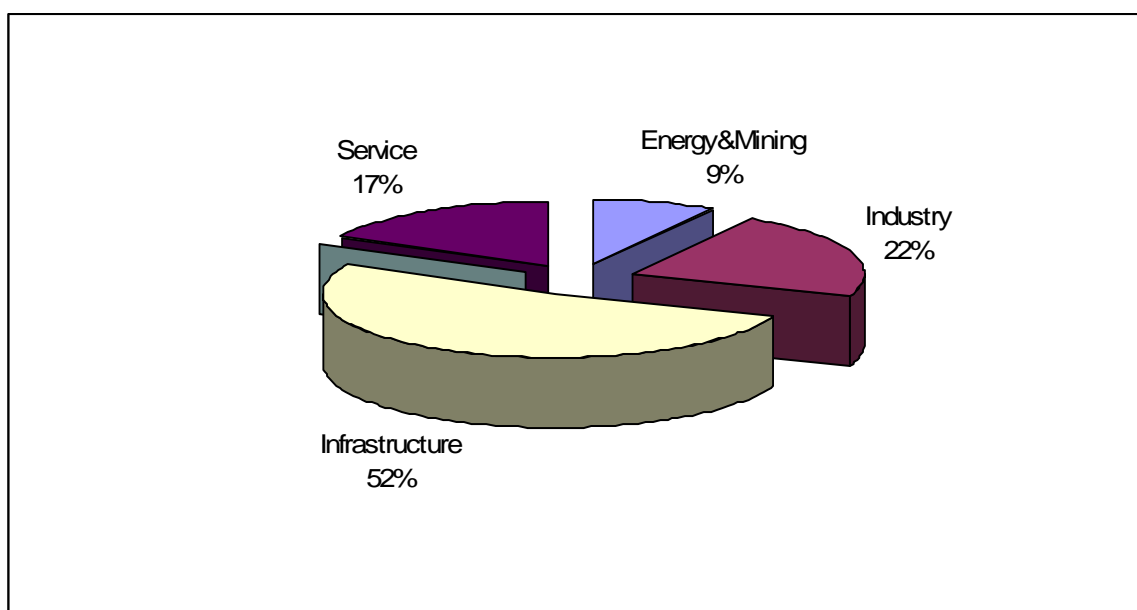


Source: PRIVMEDA.

C. Jordan

Jordan's privatisation program was initiated in the late 1980s when the country - unable to service its \$8 billion external debt in 1989 – came under pressure to implement structural reform as part of its programme with the international financial institutions. However, although announced since 1985 by the authorities, the privatisation process started only in the second half of the 1990s, after the 1990-91 Gulf War, under King Abdullah II. In 2000, the Parliament approved the law underpinning the privatisation process and the spending of subsequent proceeds. The country's privatisation program, run under the auspices of Jordan's Executive Privatisation Commission (EPC), targets primarily the infrastructure sector, as well as the state-run Jordanian Investment Corporation. The major privatisation schemes have included selling 33 per cent of Jordan Cement Factories to the French giant Lafarge and almost 40 per cent of the Jordan Telecommunication Corporation to France Telecom. In 2003 the government sold half of its 56 per cent stake in the flagship Arab Potash Company (APC) to Canadian potash giant Potash Corporation of Saskatchewan for \$173 million, in the mist of a vibrant controversy between the authorities, workers, environmentalists and the general public. Between 2004 and 2006, several companies in transport and water were sold off. The government also intends to sell off the Electricity Distribution Company, 60 per cent of the Central Electricity Generating Company, and 55.4 per cent of the Irbid District Electricity Company as well as Jordan's three civil airports.

Figure 11: Sector Contribution in Privatisation Transaction, Jordan

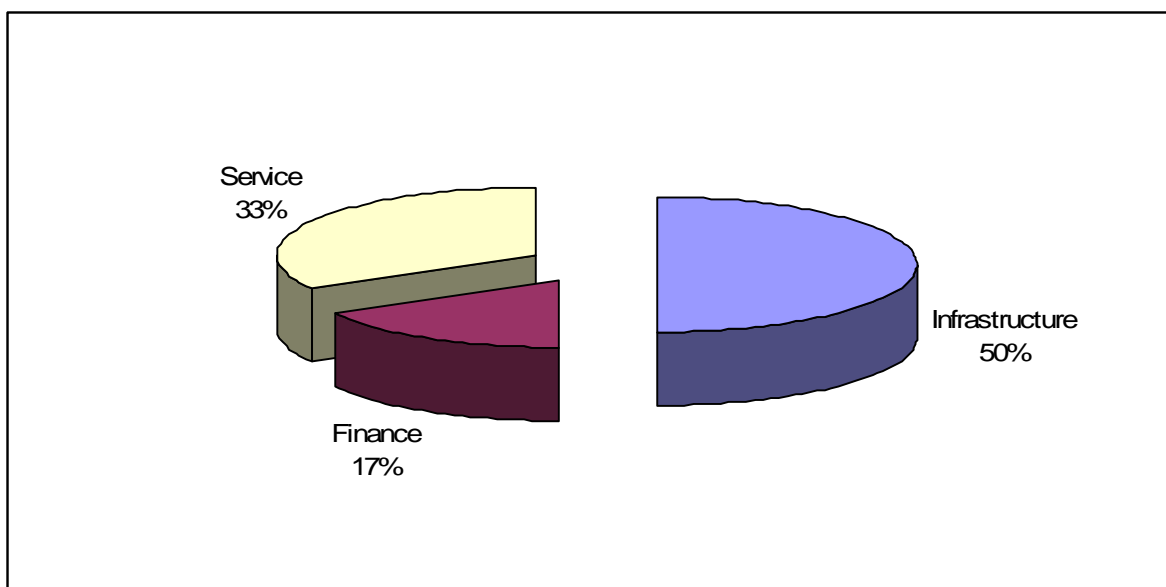


Source: PRIVMEDA.

D. Malta

The privatisation unit was established in June 2000. Ever since, some substantial privatisation transactions have taken place, notably in the infrastructure sectors with the sale of a 35 per cent stake in Maltapost in 2002, of a 80 per cent stake in Malta international airport (both through direct sale and flotation between 2002 and 2005), of its total share in Malta Freeport Terminals in 2004 and of 60 per cent stake in Maltacom in 2006. Some important operations are still on going in the banking sector (Bank of Valetta), port services (Tug Malta) and energy (Enemalta Corporation).

Figure 12: Sector Contribution in Privatisation Transaction, Malta



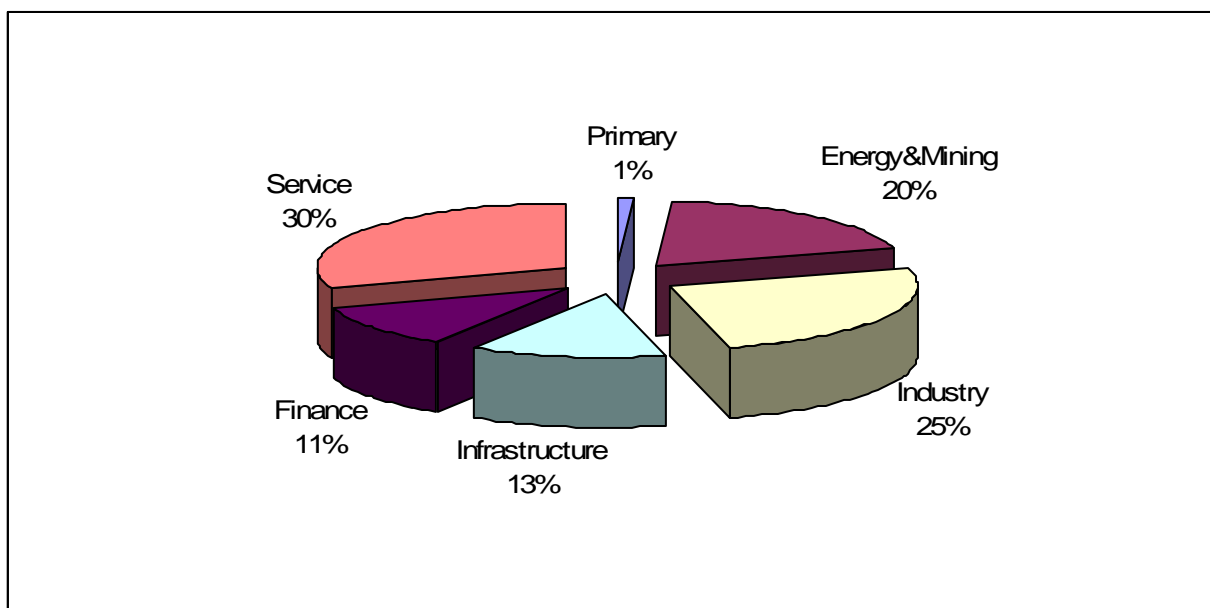
Source: PRIVMEDA.

E. Morocco

According to the Moroccan Institut National de Statistique et d'Économie Appliquée, there were some 707 public participations in 1996 across all sectors. The value-added of these state-owned entities contributed 13 per cent of total GDP (compared with 18.6 per cent reported by the World Bank Bureaucrats in Business for 1978-1985) and investments amounted to 23 per cent of gross fixed capital formation. The privatisation process started in Morocco with the Royal speech of 8 April 1988 that provided a political signal and with the privatisation law approved in 1990 that included a list of some 114 entities earmarked for divestiture. However, the programme started effectively only in 1993. As of end-2006, the government had completed some 115 transactions for some \$9 billion. However, more than half of the total receipts came from the divestitures from only two companies: Maroc Télécom and Régie des tabacs, the tobacco manufacturer. It is mainly fiscal pressures that urged the government to undertake the major and successful sale of a 35 per cent stake in Maroc Télécom (for Dh23.3 billion or \$2.7 billion) in December 2000. Divestiture from Maroc Télécom continued in 2004, when the government raised additional Dh9 billion (\$1 billion) from the flotation of a 14.9 per cent stake on the Casablanca and Paris stock exchanges and in 2005 with the sale of a further 16 per cent stake to Vivendi for Dh12.4 billion. Privatisation of the Régie des tabacs started in 2003, with Altadis, a Franco-Spanish tobacco company, acquiring a 80 per cent stake for Dh14.08 billion (\$1.5 billion). Both companies remain at the centre of government action with the planned privatisation of the state's remaining 20 per cent stake in Régie des tabacs and its remaining 34.1 per cent stake in Maroc Télécom.

Besides these two key companies, government action has focused mainly on industry, the financial sector, tourism and the energy sector. The bulk of transactions took place in industry and services. More recently, government action shifted to the strategic infrastructure sectors. In 2005, two fixed-line telecoms licences were sold for a total of Dh380 million. Following on this trend, likely privatisations in the biennium 2006-08 include the sale of a strategic stake in the national carrier, Royal Air Maroc, of the state shipping line, Comanav, and of a stake in the postal service, Barid al-Maghrib. Many other companies remain on the privatisation list but most of them, including some banks and a range of textile, mining, tourism and distribution firms, are unattractive propositions for investors.

Figure 13: Sector Contribution in Privatisation Transaction, Morocco



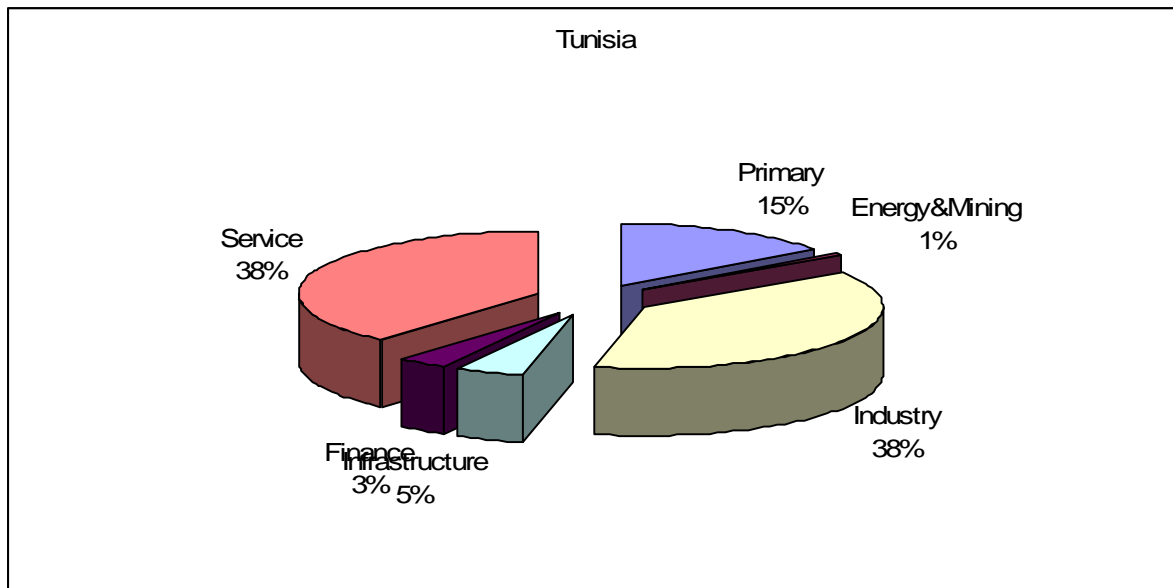
Source: PRIVMEDA.

F. Tunisia

The first phase of privatisation involved the disposal of small, loss-making firms in the tourism, transport, food and construction-material sectors. From 1987 to 1994, 48 firms were sold wholly or partially for a total of TD195 million (\$134 million), including the flotation in 1994 of 20 per cent of the national carrier, Tunisair. From 1995, the privatisation process accelerated, but it was not until 1998 that the government began to dispose of large, profitable businesses. By end-2005, 194 state-owned enterprises had been fully or partially privatised (or shut down and their assets sold off), bringing in total receipts of TD2.4 billion (\$1.8 billion), some 75 per cent of it from foreign investors. A large number of other state holdings remain up for sale, including dairy firms, a sugar refiner, a retailer (Magasin générale), a petrol distributor, several hotels and a number of agricultural firms.

The unsteady pace of the privatisation process reflects some political resistance, notably regarding consequences on employment. It is also the result of poor financing and low profitability of many state firms that contribute to low proceeds when divested. These shortcomings notwithstanding, the government is trying to encourage the private sector, and especially foreign investors to take up concessions for major infrastructure projects. The two key foreign concessions awarded so far are the Radès II power station and the second mobile-phone licence, i.e. a joint venture between Egypt's Orascom Telecom and Kuwait Wataniya Telecom. In 2006, the government completed the partial privatisation of Tunisie Telecom, selling a 35 per cent stake to a United Arab Emirates' consortium comprising Etisalat and Tecom for EUR1.5 billion (\$2.2 billion). Other major divestitures on the government's list include the international airport at Enfidha, power plants, a deep-water port at Enfidha, and a wastewater system for Tunis. Privatisation for 2007 should include the national carrier, Tunisair, whose 20 per cent was already floated in 1995. Banking reform is also set to continue, with bank mergers and the sale of more public banking assets.

Figure 14: Sector Contribution in Privatisation Transaction, Tunisia

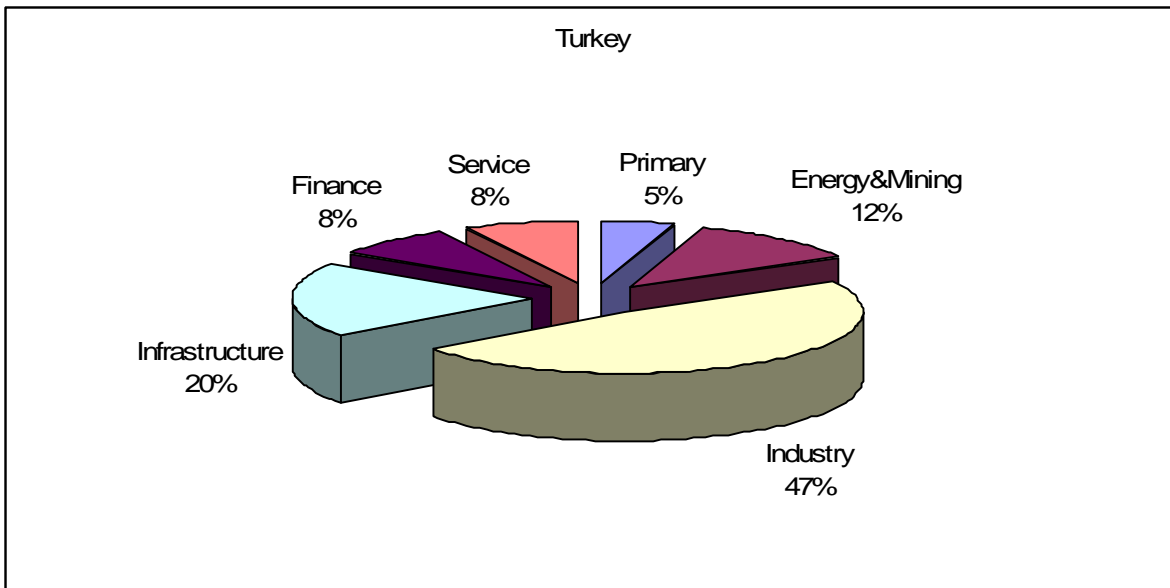


Source: PRIVMEDA.

G. Turkey

Privatisation has been on the government agenda since 1984 when the country turned to an export-led industrial model. It was institutionalised in 1994 with the release of the privatisation law that defined the list of assets to privatise, established the institutions in charge of the process and set the regulatory framework. Since 1985, some 200 companies have been privatised, with the State completely withdrawing from the majority (186 of them at end 2005). Total proceeds accrued to government over the period exceed \$25 billion. The State completely withdrew from the cement industry and petroleum distribution. It remains present at less than 50 per cent in former SOEs operating in tourism, textile, iron and steel, sea freight and meat processing. Divestitures have started from ports and petroleum refineries, as well as from the banking sector. According to the latest government information, some 31 companies remain in its portfolio.

Figure 15: Sector Contribution in Privatisation Transaction, Turkey



Source: PRIVMEDA.

II. ASSESSING THE IMPACT OF PRIVATISATION

The Objectives of Privatisation

As of today, some key strategic infrastructure companies are still earmarked for divestiture in the MEDA region, particularly in transport (e.g. national air carriers in Egypt and Morocco, port container terminals in Morocco, Tunisia, and Egypt) and in the energy sector (e.g. oil companies in Egypt, electricity distribution network in Turkey). An assessment of past experiences is therefore all the more useful, as the lessons learnt from the past fifteen years of privatisation can be used to improve divestiture methods for the companies that remain to be privatised.

The outcome of the privatisation process implemented so far in the MEDA region is assessed below in light of three objectives of privatisation, as viewed from the standpoint of the respective potential beneficiaries. First, from a government point of view, the section reviews fiscal proceeds. Then, viewing privatisation from a market and consumer perspective, we assess the improvement in economic efficiency generated by the change of ownership, also looking at the impact on prices and access. Finally, the section examines whether MEDA stock markets have benefited from privatisation and more generally if reform has led to the development of the local private sector.

As usually mentioned in the governments' privatisation legal framework, the MEDA countries had three main motivations for undertaking privatisation programmes:

1. short-term **fiscal benefits** brought by one off privatisation proceeds and reduction of the massive subsidies granted to often loss-making SOEs; furthermore enlargement of the tax base as firms become profitable;
2. the **positive economic and social impact of privatisation on competition** brought by increased corporate efficiency, lower prices and improved access to services;
3. the **development of financial markets** and the **broadening of local participation** in order to attract foreign direct investment and stimulate private-sector development.

There is, however, a fourth factor that has very often motivated privatisation programmes: the World Bank and IMF arrangements that made financial assistance conditional upon the execution of market reforms and especially privatisation (reforming SOEs, imposing hard budget constraints, improving efficiency, and disengaging the state from the economy). For instance, the privatisation program in Egypt was initially partly mandated by the IMF under its 1991 program was one of the conditions to access concessional financing. In particular, restructuring of SOEs and privatisation was part of the package of measures agreed between the IMF and the government of Egypt which included as well macroeconomic reform and foreign trade liberalisation. The early phase of privatisation in Jordan was similarly associated with the need to access structural adjustment lending to repay external debt.

Have the Objectives been achieved?

As discussed by Megginson and Sutter (2006), most empirical studies examining privatisation in developing economies find that privatisation yields improvements in the operating and financial performance of divested firms, and only few highlight outright performance deterioration. According to the

majority of studies, privatisation seems to have led to overall improvements in efficiency, profitability, and capital investment spending. Nevertheless, the empirical studies are far less unanimous regarding the impact of privatisation on employment in privatised firms.

In general, very few studies on post-privatisation performance examine the welfare effect on consumers. Since one important reason for launching privatisation, particularly in monopoly utilities, is the dissatisfaction with the services provided by state-owned firms, the assessment of the outcome of privatisation in the MEDA region cannot be limited to fiscal benefits and gains for business. It should also be considered from the perspective of consumers and the general well-being of the population, especially when assessing transactions in the strategic utilities' sectors. Nevertheless, the overall welfare impact is probably the most difficult to assess. The economy-wide impact must be balanced with the costs and benefits for producers and consumers, incorporating many direct and indirect effects on prices, service provision, employment levels and public financing. Such a general equilibrium analysis, comparing producers and consumers' surpluses is quite difficult in practice, especially in view of the lack of evidence concerning the various channels at work mentioned so far. Rather than trying to evaluate these general equilibrium outcomes, to analyse the impact of privatisation on efficiency gains, we will discuss evidence on tariffs, quality and access to services of privatised network utilities.

This sub-section reviews the existing literature and case studies with the aim of assessing the extent to which the objectives mentioned above (fiscal benefits, efficiency gains, lower prices, improved access, and broadening of local participation) have been achieved.

Overall, country surveys show that performance gains, reduction of tariffs and improvement in access appear stronger in countries where there are: strong commitment and ownership by the state to ensure the credibility of the reform to the private investor; proper sequencing of the process, including a restructuring phase and the appointment of a regulatory body prior to the divestiture; and independent and well-enforced regulation to discipline the private sector and provide the appropriate incentives to undertake investments.

A. The Fiscal Impact: Improving Government Finances

Although the direct fiscal effect of privatisation is difficult to assess — because, as noted by Davis *et al.* (2000), the amounts of cash that actually accrue to the budget are highly uncertain — we give a rough idea of the direct fiscal impact of privatisations, by computing, for each MEDA country, the annual ratio of gross privatisation proceeds to the government’s revenue, over the period 1990-2006. (Table 3)

Table 3: **Privatisation Sale Values as percentage Government Revenue**
(for selected countries in the MEDA region)

| | <i>Average annual sale values during active privatisation period, as % of average annual government revenue (exc. grants), 1990-2006</i> |
|----------------|--|
| Algeria | 0.1% |
| Egypt | 3.4% |
| Jordan | 3.0% |
| Morocco | 6.2% |
| Tunisia | 4.6% |
| Turkey | 2.5% |
| Average | 3.3% |

Source: IMF World Economic Outlook and PRIVMEDA.

The results reported in Table 3 show that the direct fiscal impact of privatisation is substantial for Morocco and Tunisia, followed by Egypt. In Turkey, proceeds averaged 2 per cent over 1986-2004, while they increased to 4.2 per cent and 9.1 per cent in 2005 and 2006, respectively, reflecting the privatisation of Turk Telecom and TUPRAS oil refinery. Overall, Morocco, Tunisia and Egypt exhibit proceeds/revenue ratios greater than the average proceeds/revenue ratio in the OECD area, which stand at about 1.6 per cent (with Portugal ranking first at 5 per cent, New Zealand second at 4.1 per cent and 18 OECD countries exhibiting ratios below the OECD average) (Mahboobi, L. 2002). Compared to other developing countries, however, the ratio for the MEDA region is low. In particular, the proceeds/revenue ratios for Latin America and the transition countries are 8.4 per cent and 5.5 per cent respectively.

In Morocco, from the beginning of the privatisation process up to 2006, the contribution of privatisation proceeds to total revenue (excluding grants) was about 5.0 per cent, with peaks of about 24.5 per cent in 2001 and 13.8 per cent in 2003, corresponding to the sale of 35 per cent of Maroc Telecom to Vivendi Universal for \$2.3 billion and the sale of the Régie des Tabacs to Altadis for \$1.2 billion. Since 2001, a substantial part of revenue has been allocated to the Royal Investment Fund for Social and Economic development (“Fonds Hassan II pour le Développement Economique et Social”), which reached \$2 billion in late 2005.

Conversely, evidence from Tunisia shows that in years characterised by huge fiscal unbalances, the privatisation revenues have been used to fund current spending gaps. In Egypt, privatisation proceeds amounted to LE 15.8 billion (\$3.73 billion) through September 30, 2001, although only LE 14.7 billion (\$3.47 billion) were effectively collected. Almost half of the sales proceeds have gone to reducing the budget deficit, about a third to paying off enterprise debt, and the balance for labour compensation and early retirement schemes. Between 1992/93, and 2000/01, total Government deficits amounted to LE 60.5 billion and would have been LE 67.1 billion if the LE 6.6 billion of privatisation proceeds had not been transferred to the Ministry of Finance. Thus, the cumulative fiscal deficit during these years was reduced by 10 per cent through the sale of assets. Nevertheless, resorting to privatisation proceeds to finance the fiscal deficit is hardly sustainable over the long-run, as the universe of public assets available for sale is limited.

The fiscal gains from privatisation are more evident from a longer-term perspective, focusing on subsidy savings (elimination of direct budget transfers that subsidise commercially unviable enterprises or compensate for intentional under-pricing of an enterprise’s services or products). The underlying argument is not to condemn the use of subsidies, but rather to stress that privatisation can allow a rationalisation of

the role of the state in which opaque subsidy mechanisms are replaced by more transparent accounting of public expenditure. In many instances, public enterprises have been used to secure rents to a relatively small clientele, offering either above market wages or under pricing for those with access with little accountability and transparency. Even when significant rates of subsidies are applied on the official market, many poor people are forced to buy from secondary markets (due to lack of access) and the benefits of low official prices are finally enjoyed by the relatively richer (those with access). On the other hand, public money saved through privatisation can be re-invested to meet policy priorities such as in poverty reduction expenditure.

In Jordan, for example, by 2002, privatisation proceeds reached almost \$1.9 billion, and according to the Center for International Private Enterprise estimates (CIPE, 2004), other fiscal benefits yielded additional \$ 10 million through elimination of financial support for loss-making SOEs and additional millions of dollars through taxes from privatised enterprises.

According to the 2002 CARANA Corporation review of Egypt's privatisation programmes (CARANA, 2002), while the net impact of privatisation on the Egyptian economy could not be precisely quantified, there were still certain positive factors and tangible results in terms of subsidy savings to loss making enterprises. In 1996, for example, public sector firms had showed a net operating loss of EL 1.6 billion (\$0.47 billion), accumulated losses of EL 3.9 billion (\$1.15 billion) and debts of E 53.5 billion (\$15.78 billion). It has been estimated that had this situation been allowed to continue by the end of the 1990s the financial burden would have reached net operating losses of EL 4 billion (\$1.18 billion) annually, accumulated losses of EL13billion (\$3.83 billion), and debts of EL 74.8 billion (\$ 22 billion). Had the government not embarked on its privatisation programme, the consequences would have been catastrophic in terms of creditworthiness of sovereign debt.

This evidence, although scattered and non systematic, suggests that overall privatisation can lead to substantial proceeds; nevertheless, since they represent one-off revenue, their use is key to determine the leverage on economic and social outcomes. The broadening of the tax base can also lead to substantial tax revenues, although it often takes time for newly privatised enterprises to become profitable, and, as indicated by Randall G.Holcombe (1990), it might also be the case that the investor is granted special tax regimes and exemptions.

In addition, if privatisation can allow the governments to realise considerable savings in the form of elimination of direct budget transfers, this fiscal impact can be considerably delayed in the infrastructure sectors. This is mainly due to continued public involvement in sectors that, by nature, require large investment programmes. If not subsidised, these substantial investments would lead private investors to increase their prices in the short run, which can be socially and politically unacceptable.

B. Efficiency Gains: Impact on Output, Tariffs, Quality and Access

Increased economic efficiency is one of the key government objectives reiterated in most policy statements on privatisation programmes. In Morocco, for instance, the Royal Speech of April 8th 1988, which gave the political signal to the start of privatisation, stated as a main objective the enhancement of competitiveness and productivity of companies. Privatisation aims to improve the performance of businesses by exposing them to a competitive environment and forcing them to earn high returns on investment and to organise production on an optimal basis. Adopting this objective has required a deep change of policy stance on the part of countries that had put their economic faith in government planning, control and intervention. Consequently, Andreasson (1998) argues that this radical change requires time and is still highly dependent on the nature and enforcement capacity of governments in place. A good example in this respect is offered by the political will and capacity of the Moroccan government to prepare SOEs to face competition and free market, through a deep restructuring of the financial, tobacco and oil sectors.

Privatisation can also offer economic advantages in the case of infrastructure sector, traditionally considered as natural monopolies. At first, public ownership of natural monopolies was justified to solve

market failures, such as imperfect competition, incomplete information and incomplete contracts. However, several economists, including Sheshinski and López-Calva (1998), have observed that public ownership can also lead to substantial efficiency losses, offsetting in many cases the gains obtained by resolving these market failures. The key question therefore shifts from ownership of the natural monopoly to the degree of competition available prior and after privatisation as well as how to regulate the activity of private investors on the market to prevent them from taking advantage of their dominant position. In that respect, many MEDA countries still need to achieve substantial improvements in order to establish proper regulatory frameworks that give private firms the right incentives to improve efficiency without deterring innovation. However, as illustrated in the following examples across the region, privatisation undertaken in the framework of broader reform package has generally boosted efficiency, leading to improved production processes, increased access for consumers and reduced user costs.

1. Competitive Sectors

Boubakri and Cosset (2002) conducted a survey that focused on 16 firms privatised in the early 1990s in five low-income and lower-middle-income countries, including Morocco, and Tunisia. On the basis of a “before and after” analysis, they conclude that operating and financial performance has not significantly improved after privatisation in these countries, and they even find a slight decrease in sales efficiency (sales to total assets) as well as output. The efficiency of capital expenditure seems, however, to have increased substantially.

Looking at specific country case studies, however, the results seem more promising. In Egypt, for instance, in order to assess the impact on efficiency of privatisation, Khattab (1999) undertook a survey on 28 privatised companies in 10 sectors, including: textile, cotton, flour mills, cement, chemicals, electrical devices, contracting, and food industries. This survey shows that sales increased in 20 companies (71 per cent of the sample), earning before interest and taxes (EBIT) increased in 19 companies (68 per cent of the sample). The average salary per worker increased in 27 companies (96 per cent of the sample), and the balance of loans to banks, including short and long terms, declined in 23 cases (82 per cent of the sample). This positive outcome is confirmed also by a survey of 69 Egyptian companies privatised between 1994 and 1998 (Omran, 2001). Omran finds that profitability, operating efficiency, capital spending, dividends and liquidity increased significantly after privatisation.

Similarly, Okten and Arin (2003) test the effect of privatisation on firm efficiency and technology choice using a panel data set of 23 Turkish cement firms privatised between 1989 and 1998. Overall, following privatisation many companies switched to more capital-intensive production processes, leading to reduction in unit costs and prices, and substantially raising labour productivity and output. Capacity utilisation and investment increased dramatically after privatisation, while employment decreased significantly.

2. Infrastructure Sector

In the infrastructure sector, efficiency gains are potentially very different across sectors. While they can be very high in the telecom sector, they are less clear in the case of water where privatisation can not be accompanied by increased competition.

- ***Telecommunication***

Direct efficiency gains have been significant in the telecommunications sector, where extensive reforms were carried out from the mid-1990s (Plane, 2001). These more spectacular efficiency results are mainly due to the fact that telecommunications has been increasingly subject to competition through GSM licences. In the case of Tunisia, for instance, the privatisation of Tunisie Télécom (TT) was part of a package of reforms in the telecom industry which involved the opening of the sector and the setting up of a regulatory framework. TT was the monopoly provider of mobile telecommunication, until the arrival of the

fully private Orascom Telecom Tunisia (OTT) also known as Tunisiana in 2002. The sales of a second Global System for Mobile Communications (GSM) to OTT paved the way for increased competition leading to tariff reductions and the introduction of new services. By 2004, OTT doubled its turnover, achieving 279 million DT, and managed to reduce entry fees from 120 DT to 99 DT (Goldstein *et al.*, 2004). OTT's market share has been growing to 45 per cent in 2006, compared with 35 per cent the year earlier. In the first half of 2006, OTT introduced a number of new services, including SMS (short message service), roaming and GPRS (general packet radio service); its capital spending in the first half of 2006 rose to \$55 million from \$36 million in the same period of 2005. The TT new chief executive officer responding by launching a strategy of aggressive price and service competition, with the aim of increasing TT Tunisian mobile telecoms market share to 75 per cent by end-2007. As pointed out by Rosotto *et al.* (1999), "the introduction of new cellular players in the market, capable of offering new services and attracting new subscribers, tends to increase overall investments as well as revenues in telecommunications".

If the process of partial privatisation of TT is considered a successful one, it is worth underlining that the sale of a 35 per cent stake in April 2006 was only the final stage of a well-managed public restructuring programme, which included the establishment of an independent regulatory agency, l'Instance Nationale des Telecommunications, and the initiation of liberalisation through the licensing of a second cellular operator.

As in the case of Tunisia Telecom, the privatisation of Maroc Télécom (MT) provides another relevant example of how privatisation in the Telecom sector can lead to broader access and lower prices when accompanied by the simultaneous introduction of competition and proper regulation. The success of the privatisation of MT was due to the proper sequencing of the process, including the appointment of a regulatory body prior to the divestiture, and the introduction of competition in mobile communication. The Agence nationale de régulation des télécommunications (ANRT) oversaw the liberalisation of the sector, and its independence from government gave confidence to foreign investors. MT had a monopoly in the sector until 1999. Competition was introduced into the mobile-phone market that year with the sale of a second mobile-phone concession to Meditelecom (Meditel), a joint venture led by Telefónica (Spain) and Portugal Telecom. From 2000 until 2004, the government progressively transferred a total of 51 per cent of MT capital to Vivendi Universal (France) and disposed of a further 14.9 per cent by stock market flotation in Casablanca and Paris. Since then, the mobile-phone market has been stimulated by competition between MT and Meditel, which has driven down prices and increased the range of services. MT had around 6.7 million mobile-phone subscribers at the end of 2005 and Meditel around 3.3 million. Two licences to operate third-generation (3G) mobile-phone services (allowing high-speed data transfer) were awarded in 2006. In addition, MT's fixed-line monopoly was broken in 2005, when licences were awarded to Meditel and a local firm, Maroc Connect. The fixed-line market contracted in 2000 and 2001 as customers moved over to mobile phones but is now expanding, driven by growing interest in the Internet, broadband, cable television and data services. The introduction of competition in the fixed sector is expected to encourage further expansion. MT had 1.4 million fixed-line customers at end-2005.

Another interesting example of the crucial role played by the regulator in tandem with the opening up to competition in preparation of privatisation is illustrated in the case of Egypt telecommunication. A 20 per cent stake of Telecom Egypt was sold through an IPO in December 2005. In preparation of the privatisation, the National Telecom Regulatory Authority was set up in 2003, and since then Egypt's telecommunication sector has made remarkable progress. Egypt has seen a dramatic increase in the number of licenses issued and internet services for the price of a local phone call have been made available to the country's citizens. The number of fixed line has doubled, mobile users have grown from two to six million subscribers, and as at 2006, there were three mobile networks. Against this background, the lifting of the former monopoly on the provision of land line services and international gateways in December 2005, has added impetus to increased competitiveness in the market.

- **Water**

The available empirical evidence from the MEDA region regarding efficiency gains in the water and sanitation sector shows positive results, although public provision is also very efficient in the region. Nevertheless, in contrast to the telecommunication sector, prices in water sector tend to rise after privatisation. Such increases are often justified by the fact that governments generally set prices below cost-covering levels, making a re-adjustment necessary after privatisation if the activity is to become profitable. In addition, in contrast to telecommunication, it is more difficult to open this sector to competition. Duplication of water and sanitation network is hardly possible and desirable. This “natural monopoly status” requires therefore to design appropriate privatisation contracts in order to prevent the private investor from capturing a monopoly rent. However, owing to the complexities of designing and enforcing complete contracts – i.e. taking account of all possible changes in conditions –, a strong institutional and regulatory background is also a key element of success. Past experiences notably show that any attempt to privatise should be preceded by the establishment of an independent and well-enforced regulatory framework to discipline the different stakeholders and provide the appropriate incentives (notably through tariffs setting) to undertake investments, while preserving scarce water resources.

Table 4: Private Sector Participation in the Water Sector in the MEDA Region

| Sub-Indicators | Algeria | Egypt | Jordan | Morocco | Tunisia |
|--|--|-------|-----------------------------|---|---------|
| 6.1. Presence of private operators | Yes | No | Yes | Yes | No |
| 6.2. Estimate of the percentage of population delivered by the private sector | Between 10% and 20% | | Around 40% | Between 20% and 30% | |
| 6.3. Location | Algiers, Taksbet, Athmania, Arzew, Bredeah, Beni Haroun. | | Amman | Rabat, Casablanca, Tetuouan and Tangiers. | |
| 6.4. Types of contract | Management contract and BOT | | Management contract and BOT | Concession contracts and BOT | |
| 6.5. Year of introduction of private sector participation | 2001 | | 1999 | 1997 | |

Source: Perard, E (2007), Private Sector Participation and Regulatory Reform in Water Supply: the MEDA Experience, mimeo, OECD Development Centre, Paris.

As highlighted by Perard (2007), private sector participation in water provision is relatively recent in the MEDA region. The first public private partnership was introduced in 1992 for the wastewater of Cairo. Since then, Morocco, Jordan and Algeria have been the most active countries in introducing private sector participation in the water sector.

Morocco has undertaken since 1995 an institutional reform in the water sector which brought the introduction of the first concession contract in water supply in the region. The reform involved the creation of a well defined institutional environment, delegated management to municipalities and private firms, and the setting up of progressive tariffs. On the back of this re-organisation, the concession of water supply in Casablanca in 1997 brought satisfactory results. Although tariffs increased by about 20 per cent, and are slightly higher than those applied by the national operator, the access and quality of the service have improved substantially. The private operator made major investments: between 1997 and 2002, the number of people served increased from 440 000 to 590 000 while unaccounted water dropped from 38.9 per cent to 27.7 per cent (Perard, 2007). Such evidence shows that the effects of privatisation on improved access

and quality depends on the regulatory framework in place and the capacity of the state to co-operate with the private sector.

By contrast, private provision is quasi-inexistent in Tunisia, and the performance of the state-owned water provider is very sound: unaccounted-for water was only 18.2 per cent in 2004, more than 99 per cent of bills are paid and access to water is available 24 hours a day in all cities. 100 per cent of urban dwellers have access to safe drinking water, at 98 per cent through household connection (African Economic Outlook, 2007). However, there are some doubts on the sustainability of the system. Some 90 per cent of consumers pay below costs even though a recent household survey shows some room for manoeuvre to increase tariffs: water amounts to 0.93 per cent of household budget (below the 3 per cent commonly accepted). Perard (2007) stresses that operational results of SONEDE and ONAS have recently deteriorated both because of deferred tariff adjustments and ambitious capital program for rural service expansion. As reported by the African Economic Outlook (2007), the risk associated with revenues constantly falling behind costs is to defer maintenance and let services deteriorate.

More generally, a recent study by the World Bank² finds that in northern Africa, only the water utilities in Rabat and Casablanca reach operating cost recovery. By contrast, the water utilities in Cairo and Alexandria are estimated to cover only some 25 per cent of their operating costs.

3. The Employment Issue

In general, privatisation is perceived to lead to job cuts in the short run, and this perception has caused massive protests by trade unions, which are the most vehement opponents of privatisation. Absorbing redundant workers and favouring their re-employment in other enterprises or sectors is a major challenge. The overall impact might have little to do with the privatisation per se – as pre-privatisation staffing in SOE might have been artificially inflated – but rather with the functioning of labour markets and their ability to favour/hinder adjustment.

To soften the impact on employment, some national authorities have become more attentive to job preservation during the privatisation process. In Tunisia (Page, 2003), in an effort to minimise workers' resistance, the government required new owners to maintain existing staffing levels in privatised firms and to avoid whole or partial closure of enterprises.

The restructuring of the labour market in Egypt, undertaken since early 1990s also offers an interesting example on the various solutions adopted by the government to mitigate the opposition of workers to adjustment (Khatab, 1999). In Egypt, public sector holding companies have streamlined operations and shed redundant labour mainly through early retirement (Page, 2003). The bulk of the restructuring was concentrated in metallurgy, chemical industry and food industry, while the employment-sensitive textile sector has been left outside from the privatisation program.

Despite different systems of incentives put in place, ranging from the purchase of shares, credit facilities and termination bonus (**Box 2**), the overall results and impact on public opinion were mixed. Very few companies assumed the responsibility for the rehabilitation of workers through the *Social Fund for Development* aimed at training younger workers to move to other jobs or start their own business. In spite of the fact that this technique should be the primary method to deal with excess labour problem, yet it was applied in Egypt only on a very limited scale. Overall the public opinions and experts criticised the strong focus of the Egyptian authorities on early retirement of workers, rather than supporting the development of SMEs and facilitating re-deployment opportunities.

2. World Bank, 2007. Making the most of scarcity. Accountability for better water management results in the Middle East and North Africa.

Box 2: Government of Egypt's Measures to Restructure Labour Force

In 1995/96, the excess labour in public enterprises was more than 30 per cent of total labour force, corresponding to 300 000 employees. The lay off of workers from public companies represented a pressure on the job market, which already suffered at the time from nearly 1.6 million unemployed. In addition, the early retirement of redundant workers required payment of compensation packages of about LE 7.5 billion (\$ 2.2 billion) over 3-4 years, well in excess of the available finances, estimated at LE 4 billion (\$1.18 billion). In light of the pressure of public opinion, the increase in unemployment and the scarcity of resources needed to pay the compensation packages, the government of Egypt adopted a mix of solutions, including:

Dialogue with the labour unions and committees:

The authorities developed a system of shared decision making in order to make the process transparent and participatory. The Ministry of Public Enterprise engaged in negotiations with the Ministry of Manpower, and the General Union for Egyptian Workers to attain a joint decision. Labour Committees in the affiliated companies were present in the earliest stages of the diagnostic study of the status of the loss-making companies, and in the discussions with the management's proposals concerning redundant workers.

Possibility of selling majority stake of companies to ESAs:

Workers of SOEs could buy 10 per cent of shares, with a discount of 20 per cent on the selling price. The Egypt's privatisation program envisaged also the complete sale of companies to ESAs (Employee shareholders Associations) representing the workers. Nevertheless, sales to ESAs turned out to be not very successful. Over the period of the programme, 34 companies, mainly operating in agriculture, milling, transport and shipping, were sold to ESAs for a total of E950 million (\$280 million) on installments. The installments were to be funded out of dividends with the ESAs generally given between five to 10 years to re-pay the holding companies. ESAs were granted credit facilities for the repayment of the purchased stakes. ESAs were supposed to increase their board influence in tandem with the growth in their financial stake. However, many of the companies involved, failed to prosper, some suffered from strong influence of the government, and others were unable to repay the holding companies.

Implementing the early retirement system:

The optional early retirement system was implemented in SOEs subject to liquidation or sold as assets or separate units, and to the loss-making companies under restructuring prior to sale. This system offered workers early retirement in return of a termination bonus of at least LE 15000 (\$4420), and a ceiling of LE 35000 (\$10320).

Overall, since the inception of the early retirement system, this together with privatisation, has resulted in a decline in the work force employed by the holding companies of about 50 per cent.

Source: Khattab (1999), "Constraints to privatisation: the Egyptian Experience," The Egyptian Centre for Economic Studies, WP n.38, May, and Carana Corporation quarterly review, Privatisation in Egypt, Jan-March 2001.

In Turkey (Ertuna, 1998), the labour issue did not create significant problems in the case of privatisation of profitable enterprises. The Privatisation Law No. 4046, enacted in 1994, introduced a series of safety net measures which helped to ease the burden of privatisation on employees. These measures included: a supplementary unemployment indemnity in addition to the severance pay, a 30 per cent premium on retirement benefits to induce early retirement, and transfer of laid-off workers to other public institutions.

In the Karabuk Steel Plant case, employees used their unemployment indemnities, severance pay and termination indemnities to purchase stocks in the newly formed company. Since the stocks increased significantly in value, many of the employees made small fortunes.

Nevertheless, unemployment benefits and financial compensation schemes were not sufficient to make up for the job losses in the less developed areas of the country, where SOEs exhibited the highest redundancy rates and where alternative job opportunities were not available. A survey conducted in a cement company in the western part of Turkey (Cam, 1999) reveals that during the privatisation process which took place in 1989, job insecurity of employees worsened because of widening of temporary unemployment, and dismissals. In the cement plant where the research was carried out, the number of permanent employees slumped from 405 to 195, whilst temporary posts jumped from 25 to 155.

In some cases, privatisation led to increase in the wage bill and improvement in labour practises. The privatisation of Assiut Cement, one of the largest Cement company in Egypt is considered by CARANA corporation review (2001) to have increased the total income (including wages and bonuses) of

the workers remaining with the company (about a third of the original work force employed before the start of the reform). The new company provided also training, including hands-on training abroad.

On the other hand, the long-term impact of privatisation on employment is uncertain. Some evidence for competitive sectors suggests that after registering a sometimes significant decrease in the year of privatisation, employment generally stabilises and then begins to trend upward in the two years following the launch of a privatisation plan, as it was the case in manufacturing and cement companies in Egypt (CARANA Corporation, 2001).

Assessing the long-term impact of privatisation on employment is more challenging when considering the power and water sectors. In public utilities, large-scale retrenchments became imperative in order to lower costs and boost productivity, as the combination of considerable overstaffing and insufficient training to keep staff up to date seriously constrained efficiency gains. Job redundancies have been particularly severe in the electricity sector, as water has mostly remained under strong public control.

C. Development of Financial Markets and of Private Sector

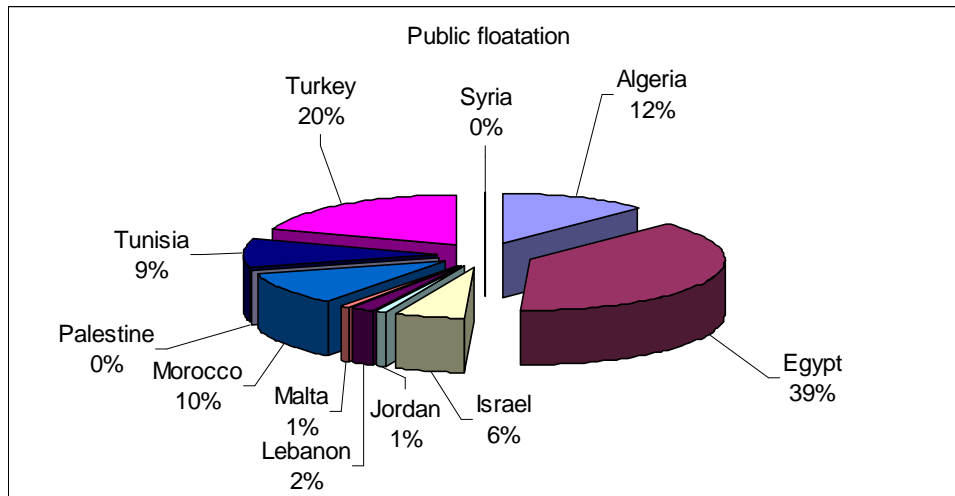
Privatisation has often been considered as a way to promote the development of capital markets and stock exchanges through the flotation of former state-owned companies. This is also seen as ultimately favouring the development of the national private sector through the participation of local investors in the process.

1. Impact of Privatisation on the Financial Market

The review of case studies shows that privatisation process has helped to develop capital markets in the MEDA region, either by “launching” them or by diversifying their activities and products through initial public offerings (IPOs) aimed at encouraging savings and increasing the investment awareness of both individuals and companies. Nevertheless, in some countries with a very small stock market at the beginning of the reform, many newly privatised SOEs struggled to sell their shares to local and foreign investors. In general, investors and workers found very difficult to dispose of shares once they were acquired, and consequently adopted a cautious approach.

Since the beginning of the process in 1990, the number of privatisations through public flotation has amounted to 97 out of a total of a total 911 transactions.

Figure 16: Nationality of SOEs Privatised through Flotation in the MEDA Region



Source: PRIVMEDA.

Egypt (with 39 per cent of total transactions), Turkey (20 per cent), Algeria (12 per cent), Morocco (10 per cent), and Tunisia (9 per cent) represent the leading countries in terms of privatisation through public flotation. Their predominance reflects also the fact that these countries had relatively well developed stock markets prior to the listing of the first former SOEs.

In Egypt, about 28 per cent of companies have been privatised through shares offered on the stock market. According to the CIPE (2003), the number of companies listed on the stock market almost doubled from 1992 to 2003 and the market recapitalization of those companies rose from \$3.2 billion in 1992 to almost \$20 billion in 2003. Such a performance also reflects the parallel liberalisation of foreign investment regulations and the presence of an effective regulator that provided effective shareholder protection, which made the Cairo and Alexandria Stock Exchange one of the most foreigner-friendly stock markets in the MEDA region. Recent large transactions that stimulated the stock market were the sale of Suez Cement Company, of a stake in Sidi Krier for petrochemicals, and of a stake in Eastern Tobacco.

The privatisation of SOEs through public offerings did make significant contributions to the development of capital markets also in Turkey. According to Erzuna (1998), which covered the period 1989 through 1993, 14 public offerings of privatized companies represented 15.7 per cent of the total number and 42 per cent in value terms of initial public offerings (IPOs) in Turkish capital markets. The international and domestic offering of the 12.3 per cent state shares in İş Bank in May 1998, has been the largest public offering in Turkey until that time and recorded as one of the largest privatisation proceeds among the emerging European markets. Again, at the beginning of this decade, public shares in many companies were issued to the public, and this enhanced the integration of Istanbul Stock Exchange's (ISE) with foreign capital markets.

In Morocco, the privatisation process has contributed to broaden the market and to give dynamism to the Casablanca stock-exchange. According to the evaluation of the impact of privatisation carried out by the Moroccan Cour de Comptes (Court of Accounts), since the inception of privatisation in 1993, the Stock Market capitalisation has multiplied by 48, growing from 5 billion DH to 240 billion DH in September 2005. In addition, the capitalisation of privatised corporations in September 2005 represented 53 per cent of the whole capitalisation of the Stock Market. A strong correlation between the improvement of the stock exchange indicators and the path of privatisation has been observed too. The response of the public was particularly dynamic: the stock exchange experienced between 10 000 to 20 000 subscribers for the first operations, then 50 000 subscribers for the BMCE, the SNI and the SAMIR. The culmination was achieved with the 130 000 subscribers of Maroc Telecom.

Another unique feature of the Moroccan privatisation program was the creation of a privatisation bond in 1998 (Page, 2003). These public debt instruments had a maturity of three years and guaranteed bondholders preferential participation in future privatisation transactions. The bond proved extremely popular, raising nearly \$1 billion in revenue and was converted into shares at the earliest possible opportunity in the context of the 1999 refinery privatisation. The government issued a second round of bonds in 2000.

The privatisation through the sale of shares on the Tunis stock Exchange became possible only in 1994, with the issuing of a new legislative framework. During the previous 8 years of privatisation, the majority of the 45 transactions consisted of private placements. The new framework also allowed strategic investors to participate in large sensitive transactions, involving strategic SOEs. The flagship transaction was the sale of 20 per cent of TUNISAIR, the national airline through an IPO in 1994..

2. Impact of Privatisation on Fostering Local Private Sector

The attempts of fostering private sector development through Management/Employee Buyouts, Trustees and Employee Shareholding have been quite limited across the region. The notable exception is Egypt, where 26 per cent of companies were sold through the sale to the Employee Shareholder's Association (ESA). Nevertheless SOEs that were transferred to ESA's did not perform very well, since the government influence was still significant in those firms, and in two instances, ESA's transferred their shares back to the government. Furthermore, many failed to prosper and were unable to pay the holding companies.

As it has been observed in other regions, the attempt to promote emergence of a vibrant private sector through the privatisation process has been frustrated by major constraints, such as poor management capabilities, lack of access to affordable financing for further investment and administrative bottlenecks. Lack of know-how is one of the main causes of bankruptcy among small and medium-sized enterprises acquired by local actors.

Where access to capital is concerned, many firms report enormous difficulties in raising working capital. Despite improvements in financial services over recent years, mainly through greater foreign involvement, firms in Egypt agree that the cost of credit is the most binding financial constraint, followed by high collateral requirements, excessive time needed to obtain approval, and finally access to or availability of finance. As noted by IMF (2007), financial intermediation in Egypt is weak: private credit (as a share of GDP) has been stagnating since late 1990s at around 50 per cent of GDP; non performing loans continue to rise and reached 26 per cent of total loans in 2004/05; and the share of public sector debt in banks' portfolios grows.

Similarly, Lebanon and Syria suffer from cumbersome and costly regulatory procedures. In Jordan, despite being classified second in the region after Israel and a steady progress in the privatisation program, improvement in various areas of business environment to facilitate local participation to the process has been mixed. While Jordan has managed to reduce the time and procedures associated with starting a business, it has failed to improve access to credit and investor protection (World Bank, Doing Business 2007).

Conversely, despite starting from a lower ranking in Doing Business, Tunisia and Morocco continue to make substantial progress in improving the climate for private investment, especially through the strengthening of contract enforcement and the reduction in the administrative hurdles for starting a business. According to Doing Business, it was taking respectively 11 and 12 days to open a new business in Tunisia and Morocco in 2006 (compared to a regional average of 41 days and OECD common practice of 16.6 days), and it was costing respectively 9.3 per cent and 12.7 per cent of national income per capita (compared to a regional average reaching 74.5 per cent). Their positive experience can offer some form of guidance for the rest of the region.

As a part of continuing efforts to promote industrial modernisation under the *Mise a niveau* (catch up) program, both countries have put in place new measures to create a more favourable business climate and encourage private sector growth. By the mid- 1990s, Tunisia (Page, 2003) was relatively successful in creating an “business friendly” investment code and a “one stop shop” for investors. Morocco cut the number of procedures for starting a business from 11 to 5, moving from the bottom half of economies worldwide to the top 10 per cent between 2003 and 2004. In its privatisation program, the country made efficient use of public-private contract which allowed companies to restructure their activities and improve governance, with the government committed to making the procurement process more transparent, and to supply the required infrastructure. In addition, credit provided to the private sector increased between 1998 and 2003 from 50 to 55 per cent of GDP. Other achievements include the strengthening of property rights and the approval of the new Labour Code by the Moroccan Parliament in 2003, after lengthy negotiations.

Recent reforms in Egypt are also promising. The World Bank awarded Egypt in April 2007 as one of the six top reformers of the year based on the findings of Doing Business 2007, despite one of the most adverse business environment in the early 2000. Within three years of the arrival of the new government, the country managed to substantially improve business environment by creating a one-stop-shop for business activities, by simplifying procedures for start-ups and property registration, by introducing corporate governance codes and a new competition agency.

3. Impact of Privatisation on Foreign Direct Investment

Foreign direct investments have played an important role in OECD and in Transition economies' privatisation. In the early 90s foreign investors accounted for one-half of OECD privatisation proceeds raised through public offering. In countries with a limited pool of domestic capital, such as Hungary and Czech Republic, some 70 to 96 per cent of proceeds were raised from sales to foreign investors (OECD, 2003).

In parallel, the MEDA privatisation program attracted a high level of interest from overseas investors. In Tunisia, of the total \$4.2 billion generated up to end 2006, about 3.7 billion came in the form of foreign direct investment. In particular, the 2005 sale of a 35 per cent stake in Tunisie Télécom to Tecom Dig, a subsidiary of Dubai holding, raised \$2.2 billion, accounting for the vast majority of foreign direct investment and more than half of the privatisation total proceeds. In Morocco, the privatisation process led to significant FDI in the key economic sectors of the country. These favourable developments allowed the country to move in 2003 to the 1st place among the Arab countries recipient of FDI, ahead of Egypt and Saudi Arabia (from the 4th). Overall, foreign investments attained \$63 billion in 2005, mainly concentrated in telecommunication (65 per cent) and industry (30 per cent). Important investments have also been undertaken in the financial sector - with the privatisation of the Banque Marocaine de Commerce Extérieure (BMCE) and of the Société Nationale d'Investissement (SNI), in the tourism and in the energy sector- with the privatisation of the SAMIR Oil and the Société Chérifienne des Pétroles (SCP).

In Turkey, the involvement of foreign investors has been moderate, reflecting the opposition to the sale of strategic national assets, which characterized the privatisation process since its inception. With the exception of a majority stake in the landline telephone monopoly Turk Telekom, which was sold to a Saudi Arabian–Lebanese consortium led by Saudi Oger in 2005, the majority of state-owned companies, including in steel production, oil refinery, port operation, aluminum smelter that were privatised in 2004 and 2005 were sold to majority Turkish-owned companies and consortia.

III. CONCLUSIONS AND IMPLICATIONS FOR POLICY

The privatisation process in the MEDA region was driven by several forces, including the need to reduce budget deficit and debts, to attract investment and develop local capital market, and to improve efficiency and performance of state-owned enterprises by introducing competition. The scale of privatisation transactions varied from country to country over the years. Similarly to OECD and other transition and developing countries, MEDA countries first put emphasis on divesting the small and medium size enterprises in the competitive sector before shifting to the more sensitive sectors of network utilities. While telecom dominated the privatisation in utilities, some key infrastructure companies remain to be privatized. The assessment of the past fifteen years of privatisation, in light of the objectives embedded in the process, is therefore all the more useful to improve divestiture methods for the companies that need to be privatized.

Overall, the review of countries' experiences offered in the paper shows that privatisation has had a positive impact on corporate efficiency and performance in the competitive sector and contributed to government's financing, in particular in terms of subsidy savings to loss making SOEs. Privatisation was a good opportunity to rationalise the role of the state and replace opaque subsidy mechanisms by more transparent accounting of public expenditure. As illustrated by the case of Morocco, privatisation receipts were used to reduce government's debt or re-invested to meet other policy priorities, as set in the Royal investment Fund for Social and Economic Development. In addition, privatisation helped foster the development of local capital market, although the impact was greater in countries which had already a relatively well developed stock market prior to the listing of the first former SOEs.

The available evidence concerning the impact on the employment, however, is less clear cut. In general, privatisation has led to job cuts in the short run, causing massive protests by the trade unions. The experience of Tunisia shows some efforts to minimize the impact on employment, preserving jobs during the privatisation process. In Turkey, the government introduced a series of safety net measures, including a supplementary unemployment indemnity and retirement benefits, which helped to ease the burden of privatisation on employees.

The general lesson learned from analyzing the different and sometimes conflicting objectives embedded in the privatisation program is that its success critically depends on a series of policies measures that should be taken in preparation and in parallel to the privatisation process. Privatisation in the MEDA region proved to be successful when it was implemented as part and parcel of a more general package of measures aiming at promoting efficiency, private sector development, the improvement of the business climate and liberalisation of the financial market, and when it involved the setting up of a regulatory and policy framework. When it was the case, the implementation and results of the privatisation reforms have been quite different from other developing region – such as in sub-Saharan Africa where little accompanying measures were adopted. It is as such more in line with what has happened in the OECD countries and documented by OECD (2003).

Box 3: Lessons of Experience from OECD Countries

- | |
|---|
| <ol style="list-style-type: none">1- Political support at the highest level is an imperative2- Identify and articulate policy objectives upfront |
|---|

- 3- Ensure transparency and integrity of process
- 4- Draw upon external advice and dedicate resources
- 5- Address competition and regulatory issues prior to sale
- 6- Ensure that an effective communication is in place to explain the policy and to address stakeholder concerns
- 7- Limit restrictions on foreign ownership
- 8- Sequencing of sales can affect the programme's success
- 9- Staging of a sale should be driven by commercial considerations
- 10- Post-privatisation control devices should be used judiciously

Source: OECD (2003), *Privatising State-owned Enterprises*.

As shown by the review of the successful privatisation, performance gains, reduction of tariffs and improvement in access are stronger in countries where the State is committed to ensure the credibility of the reform. In Egypt, for instance the privatisation program gained new dynamism and involved successful transactions in the key sectors of the economy since 2004/05 when the reformist Prime Minister Ahmed Nazif came into office.

Addressing competition and regulatory issues prior to sale is also key. The success of the privatisation process crucially depends on proper sequencing of the process, including a restructuring phase and the appointment of a regulatory body prior to the divestiture. A sound and independent regulation should be enforced to discipline the different stakeholders and provide the appropriate incentives to undertake investments. In the case of Tunisia, for instance, the privatisation of Tunisie Télécom (TT) was part of a package of reforms in the telecom industry which involved the opening of the sector and the setting up of a regulatory framework. Another interesting example of the crucial role played by the regulator in tandem with the opening up to competition in preparation of privatisation is illustrated by the case of Maroc Télécom (MT). The Agence nationale de régulation des télécommunications (ANRT) oversaw the liberalisation of the sector, and its independence from government gave confidence to foreign investors.

Privatisation can also leverage the development of the private sector if combined with reforms of the business climate and of the financial market, as shown by the experience of Tunisia and Morocco. In addition, acceptance has been higher where efforts have been taken to communicate to the population the results of the process.

BIBLIOGRAPHY

- ANDREASSON, B., (1998), "Privatisation in Sub-Saharan Africa: Has It Worked and What Lessons Can be Learnt?", Swedish Development Advisers, Gothenburg, Sweden.
- ANIMA (2005), "Privatisation Programme in the MEDA Countries", *Papers and Study* No.19, January.
- AYOGU, M. (2001), "Debating 'Privatisation' of Network Utilities in South Africa", University of Cape Town, South Africa.
- AZAM, J.P., M. DIA AND T. N'GUESSAN (2002), "Telecommunications Sector Reform in Senegal", Working Paper, World Bank, Washington, DC, September.
- BERTHÉLEMY, J-C, C. KAUFFMANN, M-A VALFORT and L. WEGNER (2004), "Privatisation in Sub-Saharan Africa, Where do we stand?", OECD Development Centre.
- BOUBAKRI, N. and J.C. COSSET (1998), "Privatisation in Developing Countries: An Analysis of the Performance of Newly Privatised Firms", World Bank, Washington, DC, December.
- BOUBAKRI, N. and J.C. COSSET (2002), "Does Privatisation Meet the Expectations in Developing Countries? A Survey and Some Evidence from Africa", *Journal of African Economies*, Vol. 11, Spring.
- CARANA CORPORATION (2001), "Privatisation in Egypt- Quarterly Review" January- March 2001.
- CAMPBELL, W. and A. BHATIA (1998), *Privatisation in Africa*, World Bank, Washington, DC.
- CIPE (Center for International Private Enterprises), (2004), *Privatising State-Owned Companies*, Economic Reform Issue Paper, June.
- COMMISSION DE PRIVATISATION (2000), "Bilan des privatisations au Burkina Faso, 1991-1999", Ministère du Commerce et de la Promotion de l'Entreprise et de l'Artisanat, Burkina Faso, October.
- CRAIG, J. (2002), "Privatisation and Indigenous Ownership: Evidence from Africa", Centre on Regulation and Competition, Working Paper Series, Paper No. 13, University of Manchester, January.
- DAVIS, J., R. OSSOWSKI, T. RICHARDSON and S. BARNETT, (2000), "Fiscal and macroeconomic impact of privatisation", Occasional Paper N°194, IMF, Washington DC.
- ECONOMIST INTELLIGENCE UNIT – Country profiles and Country reports 2006: Egypt, Jordan, Morocco, Tunisia.
- EL HÉDI, L.(1998), *The Business Environment in Tunisia*, University of Tunis, Tunisia, September
- ENDERS K. (2007), "Egypt, Searching for binding constraints on growth", IMF, Working Paper 57, Washington, March.
- ERZUNA, O. (1998) *Constraints to privatisation: The Turkish Case*, a, Marrakech, Morocco, September.
- FAWZY, S. *The Business Egypt: constraints to development, Environment in private sector*, Mediterranean Development Forum, Marrakech, Morocco.
- GOLDSTEIN, A. (2004) *La stratégie internationale d'un groupe nord-Africain de Télécommunications: le cas d'Orascom*.
- GUISLAIN, P. and M. KERF (1996), "Concessions — the Way to Privatised Infrastructure Sector Monopolies", Public Policy for the Private Sector, World Bank, Washington, DC.

- GUPTA, S., C. SHILLER and H. MA (1999), "Privatisation, Social Impact, and Social Safety Nets", IMF Working Paper, No. 68, Washington, DC.
- HALL, D., K. BAYLISS and E. LOBINA (2002), "Water Privatisation in Africa", PSIRU, University of Greenwich, June.
- HOLCOMBE R. G. (1990) "The Tax Cost of Privatisation", *Southern Economic Journal*, Vol. 56, No. 3 (Jan., 1990), pp. 732-742.
- ILO (INTERNATIONAL LABOUR OFFICE) (1998), "Managing the Privatisation and Restructuring of Public Utilities (Water, Gas, Electricity)", Geneva.
- KAREKEZI, S. and J. KIMANI (2002), "Status of Power Sector Reform in Africa: Impact on the Poor", Afrepren.
- KEBEDE, B. (2002), "Poverty, Energy and Millennium Development Targets", Afrepren, October.
- Khattab, M.(1999) Constraints to privatisation: the Egyptian experience, the Egyptian Center for Economic Studies (ECES), Working Paper No.38, May.
- KIKERI, S. (1999), "Labour Redundancies and Privatisation: What Should Governments Do?", Public Policy for the Private Sector, Note No. 174, World Bank Group, January.
- MAHBOOBI, L. (2002), "Recent Privatisation Trends in OECD Countries", *Financial Market Trends*, No. 82, OECD, Paris, June.
- MAKALOU, O. (1999), "Privatisation in Africa: A Critical Analysis", World Bank, December.
- MAKALOU, O. (2001), "Escaping Poverty: Is Privatisation a Solution in Africa?", CERDES, Mali.
- MEGGINSON, W. L. and N. L. SUTTER, "Privatisation in Developing Countries", *Corporate Governance: An International Review*, Vol. 14, No. 4, pp. 234-265, July 2006.
- MOOKHERJEE, D. and D. MCKENZIE (2002), "The Distributive Impact of Privatisation in Latin America: Evidence from Four Countries", Working Paper, Stanford University and Boston University.
- MUSLUMOV, A. (2005), "The Financial and Operating Performance of Privatized Companies in Turkish Cement Industry" . *METU Studies in Development*, Vol. 32, No. 1, 59-100, 2005 Available at SSRN: <http://ssrn.com/abstract=888667>.
- NELLIS, J. (2003), "Privatisation in Africa: What Has Happened? What Is to Be Done?", Centre for Global Development, Working Paper No. 25, February.
- Nellis, J.(2005) "Privatisation in developing countries: A summary assessment", Distinguished lecture series 24, December.
- ODIFE, D. (2000), "Capital Market Development: The Road Ahead", UNITAR, Document No. 13, Geneva, November.
- OECD, AfDB (2007), *African Economic Outlook 2007*, OECD, Paris.
- OECD (2003), *Privatising State-owned Enterprises: An Overview of Policies and Practices in OECD Countries*, OECD, Paris.
- OKTEN, C. and K.P. ARIN (2003) "The determinants of privatisation prices: Evidence from Turkey. *Applied Economics*", Vol 35, pp 1393-1404.
- PAGE, J. (2003) *structural reforms in the Middle East and North Africa*, World Bank.
- PERARD, E. (2007), *Private Sector participation and regulatory Reform in Water Supply: The MEDA experience*, mimeo, OECD Development Centre, Paris.
- PLANE, P. (2001), "The Reform of Telecommunications in Sub-Saharan Africa", Technical Paper No. 174, OECD Development Centre, March.
- ROSSOTTO, C., M. KERF and J. ROHLFS (1999), "Competition in Mobile Telecoms", Public Policy for the Private Sector, Note No. 184, World Bank Group, August.

- SHESHINSKI, E. and L.F. LÓPEZ-CALVA (1998), "Privatisation and Its Benefits: Theory and Evidence", CAER II, Discussion Paper No. 35, December.
- TEMU, A. and J. DUE (1998), "The Success of Newly Privatised Companies: New Evidence from Tanzania", Canadian Journal of Development Studies, Vol. 19, No. 2.
- TRÉMOLET, S. (2002), "Multi-utilities and Access", Public Policy for the Private Sector, Note No. 248, World Bank Group, June.
- WORLD BANK (1995), "Bureaucrats in Business: The Economics and Politics of Government Ownership", Oxford University Press, October.
- WORLD BANK (2005), "Middle East and North Africa, Economic Development and Prospects 2005", World Bank, Washington.
- WORLD BANK (2007), "Making the most of scarcity. Accountability for better water management results in the Middle East and North Africa", World Bank, Washington.
- WORLD BANK (2007), "Doing Business 2007. How to reform", World Bank, Washington.

OTHER TITLES IN THE SERIES/ AUTRES TITRES DANS LA SÉRIE

The former series known as “Technical Papers” and “Webdocs” merged in November 2003 into “Development Centre Working Papers”. In the new series, former Webdocs 1-17 follow former Technical Papers 1-212 as Working Papers 213-229.

All these documents may be downloaded from:
<http://www.oecd.org/dev/wp> or obtained via e-mail (dev.contact@oecd.org).

- Working Paper No.1, *Macroeconomic Adjustment and Income Distribution: A Macro-Micro Simulation Model*, by François Bourguignon, William H. Branson and Jaime de Melo, March 1989.
- Working Paper No. 2, *International Interactions in Food and Agricultural Policies: The Effect of Alternative Policies*, by Joachim Zietz and Alberto Valdés, April, 1989.
- Working Paper No. 3, *The Impact of Budget Retrenchment on Income Distribution in Indonesia: A Social Accounting Matrix Application*, by Steven Keuning and Erik Thorbecke, June 1989.
- Working Paper No. 3a, *Statistical Annex: The Impact of Budget Retrenchment*, June 1989.
- Document de travail No. 4, *Le Rééquilibrage entre le secteur public et le secteur privé : le cas du Mexique*, par C.-A. Michalet, juin 1989.
- Working Paper No. 5, *Rebalancing the Public and Private Sectors: The Case of Malaysia*, by R. Leeds, July 1989.
- Working Paper No. 6, *Efficiency, Welfare Effects, and Political Feasibility of Alternative Antipoverty and Adjustment Programs*, by Alain de Janvry and Elisabeth Sadoulet, December 1989.
- Document de travail No. 7, *Ajustement et distribution des revenus : application d'un modèle macro-micro au Maroc*, par Christian Morrisson, avec la collaboration de Sylvie Lambert et Akiko Suwa, décembre 1989.
- Working Paper No. 8, *Emerging Maize Biotechnologies and their Potential Impact*, by W. Burt Sundquist, December 1989.
- Document de travail No. 9, *Analyse des variables socio-culturelles et de l'ajustement en Côte d'Ivoire*, par W. Weekes-Vagliani, janvier 1990.
- Working Paper No. 10, *A Financial Computable General Equilibrium Model for the Analysis of Ecuador's Stabilization Programs*, by André Fargeix and Elisabeth Sadoulet, February 1990.
- Working Paper No. 11, *Macroeconomic Aspects, Foreign Flows and Domestic Savings Performance in Developing Countries: A "State of The Art" Report*, by Anand Chandavarkar, February 1990.
- Working Paper No. 12, *Tax Revenue Implications of the Real Exchange Rate: Econometric Evidence from Korea and Mexico*, by Virginia Fierro and Helmut Reisen, February 1990.
- Working Paper No. 13, *Agricultural Growth and Economic Development: The Case of Pakistan*, by Naved Hamid and Wouter Tims, April 1990.
- Working Paper No. 14, *Rebalancing the Public and Private Sectors in Developing Countries: The Case of Ghana*, by H. Akuoko-Frimpong, June 1990.
- Working Paper No. 15, *Agriculture and the Economic Cycle: An Economic and Econometric Analysis with Special Reference to Brazil*, by Florence Contré and Ian Goldin, June 1990.
- Working Paper No. 16, *Comparative Advantage: Theory and Application to Developing Country Agriculture*, by Ian Goldin, June 1990.
- Working Paper No. 17, *Biotechnology and Developing Country Agriculture: Maize in Brazil*, by Bernardo Sorj and John Wilkinson, June 1990.
- Working Paper No. 18, *Economic Policies and Sectoral Growth: Argentina 1913-1984*, by Yair Mundlak, Domingo Cavallo, Roberto Domenech, June 1990.
- Working Paper No. 19, *Biotechnology and Developing Country Agriculture: Maize In Mexico*, by Jaime A. Matus Gardea, Arturo Puente Gonzalez and Cristina Lopez Peralta, June 1990.
- Working Paper No. 20, *Biotechnology and Developing Country Agriculture: Maize in Thailand*, by Suthad Setboonsarng, July 1990.
- Working Paper No. 21, *International Comparisons of Efficiency in Agricultural Production*, by Guillermo Flichmann, July 1990.
- Working Paper No. 22, *Unemployment in Developing Countries: New Light on an Old Problem*, by David Turnham and Denizhan Eröcal, July 1990.
- Working Paper No. 23, *Optimal Currency Composition of Foreign Debt: the Case of Five Developing Countries*, by Pier Giorgio Gawronski, August 1990.
- Working Paper No. 24, *From Globalisation to Regionalization: the Mexican Case*, by Wilson Peres Núñez, August 1990.
- Working Paper No. 25, *Electronics and Development in Venezuela: A User-Oriented Strategy and its Policy Implications*, by Carlota Perez, October 1990.
- Working Paper No. 26, *The Legal Protection of Software: Implications for Latecomer Strategies in Newly Industrialising Economies (NIEs) and Middle-Income Economies (MIEs)*, by Carlos Maria Correa, October 1990.
- Working Paper No. 27, *Specialization, Technical Change and Competitiveness in the Brazilian Electronics Industry*, by Claudio R. Frischtak, October 1990.
- Working Paper No. 28, *Internationalization Strategies of Japanese Electronics Companies: Implications for Asian Newly Industrializing Economies (NIEs)*, by Bundo Yamada, October 1990.

- Working Paper No. 29, *The Status and an Evaluation of the Electronics Industry in Taiwan*, by Gee San, October 1990.
- Working Paper No. 30, *The Indian Electronics Industry: Current Status, Perspectives and Policy Options*, by Ghayur Alam, October 1990.
- Working Paper No. 31, *Comparative Advantage in Agriculture in Ghana*, by James Pickett and E. Shaeeldin, October 1990.
- Working Paper No. 32, *Debt Overhang, Liquidity Constraints and Adjustment Incentives*, by Bert Hofman and Helmut Reisen, October 1990.
- Working Paper No. 34, *Biotechnology and Developing Country Agriculture: Maize in Indonesia*, by Hidjat Nataatmadja *et al.*, January 1991.
- Working Paper No. 35, *Changing Comparative Advantage in Thai Agriculture*, by Ammar Siamwalla, Suthad Setboonsarng and Prasong Werakarnjanapongs, March 1991.
- Working Paper No. 36, *Capital Flows and the External Financing of Turkey's Imports*, by Ziya Önis and Süleyman Özmucur, July 1991.
- Working Paper No. 37, *The External Financing of Indonesia's Imports*, by Glenn P. Jenkins and Henry B.F. Lim, July 1991.
- Working Paper No. 38, *Long-term Capital Reflow under Macroeconomic Stabilization in Latin America*, by Beatriz Armendariz de Aghion, July 1991.
- Working Paper No. 39, *Buybacks of LDC Debt and the Scope for Forgiveness*, by Beatriz Armendariz de Aghion, July 1991.
- Working Paper No. 40, *Measuring and Modelling Non-Tariff Distortions with Special Reference to Trade in Agricultural Commodities*, by Peter J. Lloyd, July 1991.
- Working Paper No. 41, *The Changing Nature of IMF Conditionality*, by Jacques J. Polak, August 1991.
- Working Paper No. 42, *Time-Varying Estimates on the Openness of the Capital Account in Korea and Taiwan*, by Helmut Reisen and Hélène Yèches, August 1991.
- Working Paper No. 43, *Toward a Concept of Development Agreements*, by F. Gerard Adams, August 1991.
- Document de travail No. 44, *Le Partage du fardeau entre les créanciers de pays débiteurs défaillants*, par Jean-Claude Berthélemy et Ann Vourc'h, septembre 1991.
- Working Paper No. 45, *The External Financing of Thailand's Imports*, by Supote Chunanunthathum, October 1991.
- Working Paper No. 46, *The External Financing of Brazilian Imports*, by Enrico Colombatto, with Elisa Luciano, Luca Gargiulo, Pietro Garibaldi and Giuseppe Russo, October 1991.
- Working Paper No. 47, *Scenarios for the World Trading System and their Implications for Developing Countries*, by Robert Z. Lawrence, November 1991.
- Working Paper No. 48, *Trade Policies in a Global Context: Technical Specifications of the Rural/Urban-North/South (RUNS) Applied General Equilibrium Model*, by Jean-Marc Burniaux and Dominique van der Mensbrugge, November 1991.
- Working Paper No. 49, *Macro-Micro Linkages: Structural Adjustment and Fertilizer Policy in Sub-Saharan Africa*, by Jean-Marc Fontaine with the collaboration of Alice Sindzingre, December 1991.
- Working Paper No. 50, *Aggregation by Industry in General Equilibrium Models with International Trade*, by Peter J. Lloyd, December 1991.
- Working Paper No. 51, *Policy and Entrepreneurial Responses to the Montreal Protocol: Some Evidence from the Dynamic Asian Economies*, by David C. O'Connor, December 1991.
- Working Paper No. 52, *On the Pricing of LDC Debt: an Analysis Based on Historical Evidence from Latin America*, by Beatriz Armendariz de Aghion, February 1992.
- Working Paper No. 53, *Economic Regionalisation and Intra-Industry Trade: Pacific-Asian Perspectives*, by Kiichiro Fukasaku, February 1992.
- Working Paper No. 54, *Debt Conversions in Yugoslavia*, by Mojmir Mrak, February 1992.
- Working Paper No. 55, *Evaluation of Nigeria's Debt-Relief Experience (1985-1990)*, by N.E. Ogbe, March 1992.
- Document de travail No. 56, *L'Expérience de l'allègement de la dette du Mali*, par Jean-Claude Berthélemy, février 1992.
- Working Paper No. 57, *Conflict or Indifference: US Multinationals in a World of Regional Trading Blocs*, by Louis T. Wells, Jr., March 1992.
- Working Paper No. 58, *Japan's Rapidly Emerging Strategy Toward Asia*, by Edward J. Lincoln, April 1992.
- Working Paper No. 59, *The Political Economy of Stabilization Programmes in Developing Countries*, by Bruno S. Frey and Reiner Eichenberger, April 1992.
- Working Paper No. 60, *Some Implications of Europe 1992 for Developing Countries*, by Sheila Page, April 1992.
- Working Paper No. 61, *Taiwanese Corporations in Globalisation and Regionalisation*, by Gee San, April 1992.
- Working Paper No. 62, *Lessons from the Family Planning Experience for Community-Based Environmental Education*, by Winifred Weekes-Vagliani, April 1992.
- Working Paper No. 63, *Mexican Agriculture in the Free Trade Agreement: Transition Problems in Economic Reform*, by Santiago Levy and Sweder van Wijnbergen, May 1992.
- Working Paper No. 64, *Offensive and Defensive Responses by European Multinationals to a World of Trade Blocs*, by John M. Stopford, May 1992.
- Working Paper No. 65, *Economic Integration in the Pacific Region*, by Richard Drobnick, May 1992.
- Working Paper No. 66, *Latin America in a Changing Global Environment*, by Winston Fritsch, May 1992.
- Working Paper No. 67, *An Assessment of the Brady Plan Agreements*, by Jean-Claude Berthélemy and Robert Lensink, May 1992.
- Working Paper No. 68, *The Impact of Economic Reform on the Performance of the Seed Sector in Eastern and Southern Africa*, by Elizabeth Cromwell, June 1992.
- Working Paper No. 69, *Impact of Structural Adjustment and Adoption of Technology on Competitiveness of Major Cocoa Producing Countries*, by Emily M. Bloomfield and R. Antony Lass, June 1992.
- Working Paper No. 70, *Structural Adjustment and Moroccan Agriculture: an Assessment of the Reforms in the Sugar and Cereal Sectors*, by Jonathan Kydd and Sophie Thoyer, June 1992.
- Document de travail No. 71, *L'Allègement de la dette au Club de Paris : les évolutions récentes en perspective*, par Ann Vourc'h, juin 1992.
- Working Paper No. 72, *Biotechnology and the Changing Public/Private Sector Balance: Developments in Rice and Cocoa*, by Carliene Brenner, July 1992.
- Working Paper No. 73, *Namibian Agriculture: Policies and Prospects*, by Walter Elkan, Peter Amutenya, Jochbeth Andima, Robin Sherbourne and Eline van der Linden, July 1992.
- Working Paper No. 74, *Agriculture and the Policy Environment: Zambia and Zimbabwe*, by Doris J. Jansen and Andrew Rukovo, July 1992.
- Working Paper No. 75, *Agricultural Productivity and Economic Policies: Concepts and Measurements*, by Yair Mundlak, August 1992.
- Working Paper No. 76, *Structural Adjustment and the Institutional Dimensions of Agricultural Research and Development in Brazil: Soybeans, Wheat and Sugar Cane*, by John Wilkinson and Bernardo Sorj, August 1992.

Working Paper No. 77, *The Impact of Laws and Regulations on Micro and Small Enterprises in Niger and Swaziland*, by Isabelle Joumard, Carl Liedholm and Donald Mead, September 1992.

Working Paper No. 78, *Co-Financing Transactions between Multilateral Institutions and International Banks*, by Michel Bouchet and Amit Ghose, October 1992.

Document de travail No. 79, *Allègement de la dette et croissance : le cas mexicain*, par Jean-Claude Berthélemy et Ann Vourc'h, octobre 1992.

Document de travail No. 80, *Le Secteur informel en Tunisie : cadre réglementaire et pratique courante*, par Abderrahman Ben Zakour et Farouk Kria, novembre 1992.

Working Paper No. 81, *Small-Scale Industries and Institutional Framework in Thailand*, by Naruemol Bunjongjit and Xavier Oudin, November 1992.

Working Paper No. 81a, *Statistical Annex: Small-Scale Industries and Institutional Framework in Thailand*, by Naruemol Bunjongjit and Xavier Oudin, November 1992.

Document de travail No. 82, *L'Expérience de l'allègement de la dette du Niger*, par Ann Vourc'h et Maina Boukar Moussa, novembre 1992.

Working Paper No. 83, *Stabilization and Structural Adjustment in Indonesia: an Intertemporal General Equilibrium Analysis*, by David Roland-Holst, November 1992.

Working Paper No. 84, *Striving for International Competitiveness: Lessons from Electronics for Developing Countries*, by Jan Maarten de Vet, March 1993.

Document de travail No. 85, *Micro-entreprises et cadre institutionnel en Algérie*, par Hocine Benissad, mars 1993.

Working Paper No. 86, *Informal Sector and Regulations in Ecuador and Jamaica*, by Emilio Klein and Victor E. Tokman, August 1993.

Working Paper No. 87, *Alternative Explanations of the Trade-Output Correlation in the East Asian Economies*, by Colin I. Bradford Jr. and Naomi Chakwin, August 1993.

Document de travail No. 88, *La Faisabilité politique de l'ajustement dans les pays africains*, par Christian Morriison, Jean-Dominique Lafay et Sébastien Dessus, novembre 1993.

Working Paper No. 89, *China as a Leading Pacific Economy*, by Kiichiro Fukasaku and Mingyuan Wu, November 1993.

Working Paper No. 90, *A Detailed Input-Output Table for Morocco, 1990*, by Maurizio Bussolo and David Roland-Holst November 1993.

Working Paper No. 91, *International Trade and the Transfer of Environmental Costs and Benefits*, by Hiro Lee and David Roland-Holst, December 1993.

Working Paper No. 92, *Economic Instruments in Environmental Policy: Lessons from the OECD Experience and their Relevance to Developing Economies*, by Jean-Philippe Barde, January 1994.

Working Paper No. 93, *What Can Developing Countries Learn from OECD Labour Market Programmes and Policies?*, by Åsa Sohlman with David Turnham, January 1994.

Working Paper No. 94, *Trade Liberalization and Employment Linkages in the Pacific Basin*, by Hiro Lee and David Roland-Holst, February 1994.

Working Paper No. 95, *Participatory Development and Gender: Articulating Concepts and Cases*, by Winifred Weekes-Vagliani, February 1994.

Document de travail No. 96, *Promouvoir la maîtrise locale et régionale du développement : une démarche participative à Madagascar*, par Philippe de Rham et Bernard Lecomte, juin 1994.

Working Paper No. 97, *The OECD Green Model: an Updated Overview*, by Hiro Lee, Joaquim Oliveira-Martins and Dominique van der Mensbrugge, August 1994.

Working Paper No. 98, *Pension Funds, Capital Controls and Macroeconomic Stability*, by Helmut Reisen and John Williamson, August 1994.

Working Paper No. 99, *Trade and Pollution Linkages: Piecemeal Reform and Optimal Intervention*, by John Beghin, David Roland-Holst and Dominique van der Mensbrugge, October 1994.

Working Paper No. 100, *International Initiatives in Biotechnology for Developing Country Agriculture: Promises and Problems*, by Carliene Brenner and John Komen, October 1994.

Working Paper No. 101, *Input-based Pollution Estimates for Environmental Assessment in Developing Countries*, by Sébastien Dessus, David Roland-Holst and Dominique van der Mensbrugge, October 1994.

Working Paper No. 102, *Transitional Problems from Reform to Growth: Safety Nets and Financial Efficiency in the Adjusting Egyptian Economy*, by Mahmoud Abdel-Fadil, December 1994.

Working Paper No. 103, *Biotechnology and Sustainable Agriculture: Lessons from India*, by Ghayur Alam, December 1994.

Working Paper No. 104, *Crop Biotechnology and Sustainability: a Case Study of Colombia*, by Luis R. Sanint, January 1995.

Working Paper No. 105, *Biotechnology and Sustainable Agriculture: the Case of Mexico*, by José Luis Solleiro Rebolledo, January 1995.

Working Paper No. 106, *Empirical Specifications for a General Equilibrium Analysis of Labor Market Policies and Adjustments*, by Andréa Maechler and David Roland-Holst, May 1995.

Document de travail No. 107, *Les Migrants, partenaires de la coopération internationale : le cas des Maliens de France*, par Christophe Daum, juillet 1995.

Document de travail No. 108, *Ouverture et croissance industrielle en Chine : étude empirique sur un échantillon de villes*, par Sylvie Démurger, septembre 1995.

Working Paper No. 109, *Biotechnology and Sustainable Crop Production in Zimbabwe*, by John J. Woodend, December 1995.

Document de travail No. 110, *Politiques de l'environnement et libéralisation des échanges au Costa Rica : une vue d'ensemble*, par Sébastien Dessus et Maurizio Bussolo, février 1996.

Working Paper No. 111, *Grow Now/Clean Later, or the Pursuit of Sustainable Development?*, by David O'Connor, March 1996.

Working Paper No. 112, *Economic Transition and Trade-Policy Reform: Lessons from China*, by Kiichiro Fukasaku and Henri-Bernard Solignac Lecomte, July 1996.

Working Paper No. 113, *Chinese Outward Investment in Hong Kong: Trends, Prospects and Policy Implications*, by Yun-Wing Sung, July 1996.

Working Paper No. 114, *Vertical Intra-industry Trade between China and OECD Countries*, by Lisbeth Hellvin, July 1996.

Document de travail No. 115, *Le Rôle du capital public dans la croissance des pays en développement au cours des années 80*, par Sébastien Dessus et Rémy Herrera, juillet 1996.

Working Paper No. 116, *General Equilibrium Modelling of Trade and the Environment*, by John Beghin, Sébastien Dessus, David Roland-Holst and Dominique van der Mensbrugge, September 1996.

Working Paper No. 117, *Labour Market Aspects of State Enterprise Reform in Viet Nam*, by David O'Connor, September 1996.

Document de travail No. 118, *Croissance et compétitivité de l'industrie manufacturière au Sénégal*, par Thierry Latreille et Aristomène Varoudakis, octobre 1996.

Working Paper No. 119, *Evidence on Trade and Wages in the Developing World*, by Donald J. Robbins, December 1996.

- Working Paper No. 120, *Liberalising Foreign Investments by Pension Funds: Positive and Normative Aspects*, by Helmut Reisen, January 1997.
- Document de travail No. 121, *Capital Humain, ouverture extérieure et croissance : estimation sur données de panel d'un modèle à coefficients variables*, par Jean-Claude Berthélemy, Sébastien Dessus et Aristomène Varoudakis, janvier 1997.
- Working Paper No. 122, *Corruption: The Issues*, by Andrew W. Goudie and David Stasavage, January 1997.
- Working Paper No. 123, *Outflows of Capital from China*, by David Wall, March 1997.
- Working Paper No. 124, *Emerging Market Risk and Sovereign Credit Ratings*, by Guillermo Larraín, Helmut Reisen and Julia von Maltzan, April 1997.
- Working Paper No. 125, *Urban Credit Co-operatives in China*, by Eric Girardin and Xie Ping, August 1997.
- Working Paper No. 126, *Fiscal Alternatives of Moving from Unfunded to Funded Pensions*, by Robert Holzmann, August 1997.
- Working Paper No. 127, *Trade Strategies for the Southern Mediterranean*, by Peter A. Petri, December 1997.
- Working Paper No. 128, *The Case of Missing Foreign Investment in the Southern Mediterranean*, by Peter A. Petri, December 1997.
- Working Paper No. 129, *Economic Reform in Egypt in a Changing Global Economy*, by Joseph Licari, December 1997.
- Working Paper No. 130, *Do Funded Pensions Contribute to Higher Aggregate Savings? A Cross-Country Analysis*, by Jeanine Bailliu and Helmut Reisen, December 1997.
- Working Paper No. 131, *Long-run Growth Trends and Convergence Across Indian States*, by Rayaprolu Nagaraj, Aristomène Varoudakis and Marie-Ange Véganzonès, January 1998.
- Working Paper No. 132, *Sustainable and Excessive Current Account Deficits*, by Helmut Reisen, February 1998.
- Working Paper No. 133, *Intellectual Property Rights and Technology Transfer in Developing Country Agriculture: Rhetoric and Reality*, by Carliene Brenner, March 1998.
- Working Paper No. 134, *Exchange-rate Management and Manufactured Exports in Sub-Saharan Africa*, by Khalid Sekkat and Aristomène Varoudakis, March 1998.
- Working Paper No. 135, *Trade Integration with Europe, Export Diversification and Economic Growth in Egypt*, by Sébastien Dessus and Akio Suwa-Eisenmann, June 1998.
- Working Paper No. 136, *Domestic Causes of Currency Crises: Policy Lessons for Crisis Avoidance*, by Helmut Reisen, June 1998.
- Working Paper No. 137, *A Simulation Model of Global Pension Investment*, by Landis MacKellar and Helmut Reisen, August 1998.
- Working Paper No. 138, *Determinants of Customs Fraud and Corruption: Evidence from Two African Countries*, by David Stasavage and Cécile Daubrée, August 1998.
- Working Paper No. 139, *State Infrastructure and Productive Performance in Indian Manufacturing*, by Arup Mitra, Aristomène Varoudakis and Marie-Ange Véganzonès, August 1998.
- Working Paper No. 140, *Rural Industrial Development in Viet Nam and China: A Study in Contrasts*, by David O'Connor, September 1998.
- Working Paper No. 141, *Labour Market Aspects of State Enterprise Reform in China*, by Fan Gang, Maria Rosa Lunati and David O'Connor, October 1998.
- Working Paper No. 142, *Fighting Extreme Poverty in Brazil: The Influence of Citizens' Action on Government Policies*, by Fernanda Lopes de Carvalho, November 1998.
- Working Paper No. 143, *How Bad Governance Impedes Poverty Alleviation in Bangladesh*, by Rehman Sobhan, November 1998.
- Document de travail No. 144, *La libéralisation de l'agriculture tunisienne et l'Union européenne: une vue prospective*, par Mohamed Abdelbasset Chemingui et Sébastien Dessus, février 1999.
- Working Paper No. 145, *Economic Policy Reform and Growth Prospects in Emerging African Economies*, by Patrick Guillaumont, Sylviane Guillaumont Jeanneney and Aristomène Varoudakis, March 1999.
- Working Paper No. 146, *Structural Policies for International Competitiveness in Manufacturing: The Case of Cameroon*, by Ludvig Söderling, March 1999.
- Working Paper No. 147, *China's Unfinished Open-Economy Reforms: Liberalisation of Services*, by Kiichiro Fukasaku, Yu Ma and Qiumei Yang, April 1999.
- Working Paper No. 148, *Boom and Bust and Sovereign Ratings*, by Helmut Reisen and Julia von Maltzan, June 1999.
- Working Paper No. 149, *Economic Opening and the Demand for Skills in Developing Countries: A Review of Theory and Evidence*, by David O'Connor and Maria Rosa Lunati, June 1999.
- Working Paper No. 150, *The Role of Capital Accumulation, Adjustment and Structural Change for Economic Take-off: Empirical Evidence from African Growth Episodes*, by Jean-Claude Berthélemy and Ludvig Söderling, July 1999.
- Working Paper No. 151, *Gender, Human Capital and Growth: Evidence from Six Latin American Countries*, by Donald J. Robbins, September 1999.
- Working Paper No. 152, *The Politics and Economics of Transition to an Open Market Economy in Viet Nam*, by James Riedel and William S. Turley, September 1999.
- Working Paper No. 153, *The Economics and Politics of Transition to an Open Market Economy: China*, by Wing Thyee Woo, October 1999.
- Working Paper No. 154, *Infrastructure Development and Regulatory Reform in Sub-Saharan Africa: The Case of Air Transport*, by Andrea E. Goldstein, October 1999.
- Working Paper No. 155, *The Economics and Politics of Transition to an Open Market Economy: India*, by Ashok V. Desai, October 1999.
- Working Paper No. 156, *Climate Policy Without Tears: CGE-Based Ancillary Benefits Estimates for Chile*, by Sébastien Dessus and David O'Connor, November 1999.
- Document de travail No. 157, *Dépenses d'éducation, qualité de l'éducation et pauvreté : l'exemple de cinq pays d'Afrique francophone*, par Katharina Michaelowa, avril 2000.
- Document de travail No. 158, *Une estimation de la pauvreté en Afrique subsaharienne d'après les données anthropométriques*, par Christian Morisson, Hélène Guilmeau et Charles Linskens, mai 2000.
- Working Paper No. 159, *Converging European Transitions*, by Jorge Braga de Macedo, July 2000.
- Working Paper No. 160, *Capital Flows and Growth in Developing Countries: Recent Empirical Evidence*, by Marcelo Soto, July 2000.
- Working Paper No. 161, *Global Capital Flows and the Environment in the 21st Century*, by David O'Connor, July 2000.
- Working Paper No. 162, *Financial Crises and International Architecture: A "Eurocentric" Perspective*, by Jorge Braga de Macedo, August 2000.
- Document de travail No. 163, *Résoudre le problème de la dette : de l'initiative PPTE à Cologne*, par Anne Joseph, août 2000.
- Working Paper No. 164, *E-Commerce for Development: Prospects and Policy Issues*, by Andrea Goldstein and David O'Connor, September 2000.
- Working Paper No. 165, *Negative Alchemy? Corruption and Composition of Capital Flows*, by Shang-Jin Wei, October 2000.

Working Paper No. 166, *The HIPC Initiative: True and False Promises*, by Daniel Cohen, October 2000.

Document de travail No. 167, *Les facteurs explicatifs de la malnutrition en Afrique subsaharienne*, par Christian Morrisson et Charles Linskens, octobre 2000.

Working Paper No. 168, *Human Capital and Growth: A Synthesis Report*, by Christopher A. Pissarides, November 2000.

Working Paper No. 169, *Obstacles to Expanding Intra-African Trade*, by Roberto Longo and Khalid Sekkat, March 2001.

Working Paper No. 170, *Regional Integration In West Africa*, by Ernest Aryeetey, March 2001.

Working Paper No. 171, *Regional Integration Experience in the Eastern African Region*, by Andrea Goldstein and Njuguna S. Ndung'u, March 2001.

Working Paper No. 172, *Integration and Co-operation in Southern Africa*, by Carolyn Jenkins, March 2001.

Working Paper No. 173, *FDI in Sub-Saharan Africa*, by Ludger Odenthal, March 2001

Document de travail No. 174, *La réforme des télécommunications en Afrique subsaharienne*, par Patrick Plane, mars 2001.

Working Paper No. 175, *Fighting Corruption in Customs Administration: What Can We Learn from Recent Experiences?*, by Irène Hors; April 2001.

Working Paper No. 176, *Globalisation and Transformation: Illusions and Reality*, by Grzegorz W. Kolodko, May 2001.

Working Paper No. 177, *External Solvency, Dollarisation and Investment Grade: Towards a Virtuous Circle?*, by Martin Grandes, June 2001.

Document de travail No. 178, *Congo 1965-1999: Les espoirs déçus du « Brésil africain »*, par Joseph Maton avec Henri-Bernard Solignac Lecomte, septembre 2001.

Working Paper No. 179, *Growth and Human Capital: Good Data, Good Results*, by Daniel Cohen and Marcelo Soto, September 2001.

Working Paper No. 180, *Corporate Governance and National Development*, by Charles P. Oman, October 2001.

Working Paper No. 181, *How Globalisation Improves Governance*, by Federico Bonaglia, Jorge Braga de Macedo and Maurizio Bussolo, November 2001.

Working Paper No. 182, *Clearing the Air in India: The Economics of Climate Policy with Ancillary Benefits*, by Maurizio Bussolo and David O'Connor, November 2001.

Working Paper No. 183, *Globalisation, Poverty and Inequality in sub-Saharan Africa: A Political Economy Appraisal*, by Yvonne M. Tsikata, December 2001.

Working Paper No. 184, *Distribution and Growth in Latin America in an Era of Structural Reform: The Impact of Globalisation*, by Samuel A. Morley, December 2001.

Working Paper No. 185, *Globalisation, Liberalisation, Poverty and Income Inequality in Southeast Asia*, by K.S. Jomo, December 2001.

Working Paper No. 186, *Globalisation, Growth and Income Inequality: The African Experience*, by Steve Kayizzi-Mugerwa, December 2001.

Working Paper No. 187, *The Social Impact of Globalisation in Southeast Asia*, by Mari Pangestu, December 2001.

Working Paper No. 188, *Where Does Inequality Come From? Ideas and Implications for Latin America*, by James A. Robinson, December 2001.

Working Paper No. 189, *Policies and Institutions for E-Commerce Readiness: What Can Developing Countries Learn from OECD Experience?*, by Paulo Bastos Tigre and David O'Connor, April 2002.

Document de travail No. 190, *La réforme du secteur financier en Afrique*, par Anne Joseph, juillet 2002.

Working Paper No. 191, *Virtuous Circles? Human Capital Formation, Economic Development and the Multinational Enterprise*, by Ethan B. Kapstein, August 2002.

Working Paper No. 192, *Skill Upgrading in Developing Countries: Has Inward Foreign Direct Investment Played a Role?*, by Matthew J. Slaughter, August 2002.

Working Paper No. 193, *Government Policies for Inward Foreign Direct Investment in Developing Countries: Implications for Human Capital Formation and Income Inequality*, by Dirk Willem te Velde, August 2002.

Working Paper No. 194, *Foreign Direct Investment and Intellectual Capital Formation in Southeast Asia*, by Bryan K. Ritchie, August 2002.

Working Paper No. 195, *FDI and Human Capital: A Research Agenda*, by Magnus Blomström and Ari Kokko, August 2002.

Working Paper No. 196, *Knowledge Diffusion from Multinational Enterprises: The Role of Domestic and Foreign Knowledge-Enhancing Activities*, by Yasuyuki Todo and Koji Miyamoto, August 2002.

Working Paper No. 197, *Why Are Some Countries So Poor? Another Look at the Evidence and a Message of Hope*, by Daniel Cohen and Marcelo Soto, October 2002.

Working Paper No. 198, *Choice of an Exchange-Rate Arrangement, Institutional Setting and Inflation: Empirical Evidence from Latin America*, by Andreas Freytag, October 2002.

Working Paper No. 199, *Will Basel II Affect International Capital Flows to Emerging Markets?*, by Beatrice Weder and Michael Wedow, October 2002.

Working Paper No. 200, *Convergence and Divergence of Sovereign Bond Spreads: Lessons from Latin America*, by Martin Grandes, October 2002.

Working Paper No. 201, *Prospects for Emerging-Market Flows amid Investor Concerns about Corporate Governance*, by Helmut Reisen, November 2002.

Working Paper No. 202, *Rediscovering Education in Growth Regressions*, by Marcelo Soto, November 2002.

Working Paper No. 203, *Incentive Bidding for Mobile Investment: Economic Consequences and Potential Responses*, by Andrew Charlton, January 2003.

Working Paper No. 204, *Health Insurance for the Poor? Determinants of participation Community-Based Health Insurance Schemes in Rural Senegal*, by Johannes Jütting, January 2003.

Working Paper No. 205, *China's Software Industry and its Implications for India*, by Ted Tschang, February 2003.

Working Paper No. 206, *Agricultural and Human Health Impacts of Climate Policy in China: A General Equilibrium Analysis with Special Reference to Guangdong*, by David O'Connor, Fan Zhai, Kristin Aunan, Terje Berntsen and Haakon Vennemo, March 2003.

Working Paper No. 207, *India's Information Technology Sector: What Contribution to Broader Economic Development?*, by Nirvikar Singh, March 2003.

Working Paper No. 208, *Public Procurement: Lessons from Kenya, Tanzania and Uganda*, by Walter Odhiambo and Paul Kamau, March 2003.

Working Paper No. 209, *Export Diversification in Low-Income Countries: An International Challenge after Doha*, by Federico Bonaglia and Kiichiro Fukasaku, June 2003.

Working Paper No. 210, *Institutions and Development: A Critical Review*, by Johannes Jütting, July 2003.

Working Paper No. 211, *Human Capital Formation and Foreign Direct Investment in Developing Countries*, by Koji Miyamoto, July 2003.

Working Paper No. 212, *Central Asia since 1991: The Experience of the New Independent States*, by Richard Pomfret, July 2003.

- Working Paper No. 213, *A Multi-Region Social Accounting Matrix (1995) and Regional Environmental General Equilibrium Model for India (REGEMI)*, by Maurizio Bussolo, Mohamed Chemingui and David O'Connor, November 2003.
- Working Paper No. 214, *Ratings Since the Asian Crisis*, by Helmut Reisen, November 2003.
- Working Paper No. 215, *Development Redux: Reflections for a New Paradigm*, by Jorge Braga de Macedo, November 2003.
- Working Paper No. 216, *The Political Economy of Regulatory Reform: Telecoms in the Southern Mediterranean*, by Andrea Goldstein, November 2003.
- Working Paper No. 217, *The Impact of Education on Fertility and Child Mortality: Do Fathers Really Matter Less than Mothers?*, by Lucia Breierova and Esther Duflo, November 2003.
- Working Paper No. 218, *Float in Order to Fix? Lessons from Emerging Markets for EU Accession Countries*, by Jorge Braga de Macedo and Helmut Reisen, November 2003.
- Working Paper No. 219, *Globalisation in Developing Countries: The Role of Transaction Costs in Explaining Economic Performance in India*, by Maurizio Bussolo and John Whalley, November 2003.
- Working Paper No. 220, *Poverty Reduction Strategies in a Budget-Constrained Economy: The Case of Ghana*, by Maurizio Bussolo and Jeffery I. Round, November 2003.
- Working Paper No. 221, *Public-Private Partnerships in Development: Three Applications in Timor Leste*, by José Braz, November 2003.
- Working Paper No. 222, *Public Opinion Research, Global Education and Development Co-operation Reform: In Search of a Virtuous Circle*, by Ida Mc Donnell, Henri-Bernard Solignac Lecomte and Liam Wegimont, November 2003.
- Working Paper No. 223, *Building Capacity to Trade: What Are the Priorities?*, by Henri-Bernard Solignac Lecomte, November 2003.
- Working Paper No. 224, *Of Flying Geeks and O-Rings: Locating Software and IT Services in India's Economic Development*, by David O'Connor, November 2003.
- Document de travail No. 225, *Cap Vert: Gouvernance et Développement*, par Jaime Lourenço and Colm Foy, novembre 2003.
- Working Paper No. 226, *Globalisation and Poverty Changes in Colombia*, by Maurizio Bussolo and Jann Lay, November 2003.
- Working Paper No. 227, *The Composite Indicator of Economic Activity in Mozambique (ICAE): Filling in the Knowledge Gaps to Enhance Public-Private Partnership (PPP)*, by Roberto J. Tibana, November 2003.
- Working Paper No. 228, *Economic-Reconstruction in Post-Conflict Transitions: Lessons for the Democratic Republic of Congo (DRC)*, by Graciana del Castillo, November 2003.
- Working Paper No. 229, *Providing Low-Cost Information Technology Access to Rural Communities In Developing Countries: What Works? What Pays?* by Georg Caspary and David O'Connor, November 2003.
- Working Paper No. 230, *The Currency Premium and Local-Currency Denominated Debt Costs in South Africa*, by Martin Grandes, Marcel Peter and Nicolas Pinaud, December 2003.
- Working Paper No. 231, *Macroeconomic Convergence in Southern Africa: The Rand Zone Experience*, by Martin Grandes, December 2003.
- Working Paper No. 232, *Financing Global and Regional Public Goods through ODA: Analysis and Evidence from the OECD Creditor Reporting System*, by Helmut Reisen, Marcelo Soto and Thomas Weithöner, January 2004.
- Working Paper No. 233, *Land, Violent Conflict and Development*, by Nicolas Pons-Vignon and Henri-Bernard Solignac Lecomte, February 2004.
- Working Paper No. 234, *The Impact of Social Institutions on the Economic Role of Women in Developing Countries*, by Christian Morrisson and Johannes Jütting, May 2004.
- Document de travail No. 235, *La condition des femmes en Inde, Kenya, Soudan et Tunisie*, par Christian Morrisson, août 2004.
- Working Paper No. 236, *Decentralisation and Poverty in Developing Countries: Exploring the Impact*, by Johannes Jütting, Céline Kauffmann, Ida Mc Donnell, Holger Osterrieder, Nicolas Pinaud and Lucia Wegner, August 2004.
- Working Paper No. 237, *Natural Disasters and Adaptive Capacity*, by Jeff Dayton-Johnson, August 2004.
- Working Paper No. 238, *Public Opinion Polling and the Millennium Development Goals*, by Jude Fransman, Alphonse L. MacDonald, Ida Mc Donnell and Nicolas Pons-Vignon, October 2004.
- Working Paper No. 239, *Overcoming Barriers to Competitiveness*, by Orsetta Causa and Daniel Cohen, December 2004.
- Working Paper No. 240, *Extending Insurance? Funeral Associations in Ethiopia and Tanzania*, by Stefan Dercon, Tessa Bold, Joachim De Weerd and Alula Pankhurst, December 2004.
- Working Paper No. 241, *Macroeconomic Policies: New Issues of Interdependence*, by Helmut Reisen, Martin Grandes and Nicolas Pinaud, January 2005.
- Working Paper No. 242, *Institutional Change and its Impact on the Poor and Excluded: The Indian Decentralisation Experience*, by D. Narayana, January 2005.
- Working Paper No. 243, *Impact of Changes in Social Institutions on Income Inequality in China*, by Hiroko Uchimura, May 2005.
- Working Paper No. 244, *Priorities in Global Assistance for Health, AIDS and Population (HAP)*, by Landis MacKellar, June 2005.
- Working Paper No. 245, *Trade and Structural Adjustment Policies in Selected Developing Countries*, by Jens Andersson, Federico Bonaglia, Kiichiro Fukasaku and Caroline Lesser, July 2005.
- Working Paper No. 246, *Economic Growth and Poverty Reduction: Measurement and Policy Issues*, by Stephan Klasen, September 2005.
- Working Paper No. 247, *Measuring Gender (In)Equality: Introducing the Gender, Institutions and Development Data Base (GID)*, by Johannes P. Jütting, Christian Morrisson, Jeff Dayton-Johnson and Denis Drechsler, March 2006.
- Working Paper No. 248, *Institutional Bottlenecks for Agricultural Development: A Stock-Taking Exercise Based on Evidence from Sub-Saharan Africa* by Juan R. de Laiglesia, March 2006.
- Working Paper No. 249, *Migration Policy and its Interactions with Aid, Trade and Foreign Direct Investment Policies: A Background Paper*, by Theodora Xenogiani, June 2006.
- Working Paper No. 250, *Effects of Migration on Sending Countries: What Do We Know?*, by Louka T. Katseli, Robert E.B. Lucas and Theodora Xenogiani, June 2006.
- Document de travail No. 251, *L'aide au développement et les autres flux nord-sud : complémentarité ou substitution ?*, par Denis Cogneau et Sylvie Lambert, juin 2006.
- Working Paper No. 252, *Angel or Devil? China's Trade Impact on Latin American Emerging Markets*, by Jorge Blázquez-Lidoy, Javier Rodríguez and Javier Santiso, June 2006.
- Working Paper No. 253, *Policy Coherence for Development: A Background Paper on Foreign Direct Investment*, by Thierry Mayer, July 2006.
- Working Paper No. 254, *The Coherence of Trade Flows and Trade Policies with Aid and Investment Flows*, by Akiko Suwa-Eisenmann and Thierry Verdier, August 2006.

Document de travail No. 255, *Structures familiales, transferts et épargne : examen*, par Christian Morrisson, août 2006.

Working Paper No. 256, *Ulysses, the Sirens and the Art of Navigation: Political and Technical Rationality in Latin America*, by Javier Santiso and Laurence Whitehead, September 2006.

Working Paper No. 257, *Developing Country Multinationals: South-South Investment Comes of Age*, by Dilek Aykut and Andrea Goldstein, November 2006.

Working Paper No. 258, *The Usual Suspects: A Primer on Investment Banks' Recommendations and Emerging Markets*, by Javier Santiso and Sebastián Nieto Parra, January 2007.

Working Paper No. 259, *The Usual Suspects: A Primer on Investment Banks' Recommendations and Emerging Markets*, by Javier Rodríguez and Javier Santiso, February 2007.

Working Paper No. 260, *New Strategies for Emerging Domestic Sovereign Bond Markets*, by Hans Blommestein and Javier Santiso, April 2007.