METHODS OF PRIVATIZATION

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The range of opportunities for privatization is very wide in terms of degree of ownership, control, management or operations foregone by the government. The choice of privatization techniques is generally a function of the government's objectives, the state owned enterprise's condition and its sector of activity, and the country's characteristics. This paper discusses the pros and cons of various methods of privatization.

I. INTRODUCTION

Privatization is an element of a broader economic policy that includes deregulation and liberalisation as well[1]. In most countries, privatization is an in herent part of efforts to rationalise the state owned enterprise (SOE) sector as a whole, in order to reduce their burden on the national budget, to improve the efficiency of individual enterprises, to assure wider distribution of business ownership, or to achieve a combination of objectives.

Pirie[2] has defined twenty one techniques of privatization. These methods are : selling the whole by public share issue; selling a proportion of the whole operation; selling parts to private buyers; selling to workforce or management; giving to the workforce; contracting out services to private business; diluting the public sectors; buying out existing business groups; charging for services; setting up counter- groups; repealing monopolies to let competition grow; encouraging exit from state provision; using vouchers admitting demand pressures; curbing state powers; applying closure proceedings; withdrawal from the activity and the right to private substitutions.

Savas has undertaken extensive and systematic study on the privatization issue. He has recommended four techniques[3] for privatization of SOEs or public enterprises (PEs) as follows.

Loads Shedding or Transfer by Default

When this technique is applied an attempt is made to identify existence of following conditions : (a) that PEs have failed to offer adequate and satisfactory services; (b) that services rendered by PEs have failed to achieve reasonable expectation and have been very costly; and (c) that the private sector is capable of rendering better services at comparatively lower costs.

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The privatizationists propounded that when the above mentioned conditions exist in a social system, the private sector must step in to fill the void and satisfy needs of the people. These conditions are prone to the application of 'Load Shedding Technique'. An attempt is made to classify PEs according to their profitability and the process of privatization begins. It ends, when PEs in the identified industrial sector are completely withdrawn.

Limited Government Arrangement

This technique is applied when application of the Load-Shedding Technique is not possible. It promotes an arrangement in which government plays a limited role in economic activities. That is, institutional arrangements should be chosen so that the government is involved in only a minimal way.

User Charges

It recommends for designing and implementing an arrangement in which user charges are levied on all providers of services, including private as well as government controlled agencies. The user charge should be equal to full cost of service. Thus, it attempts to reflect true cost of service and offers an opportunity to the users to make comparison between the cost and quality of service provided by private units and PEs. It may encourage users to patronise private institutions and facilitate the movement of privatising of the PEs.

Competition

It creates a situation of keen competition between private units and PEs. It is believed that competition is the key to achieving better and cost-effective services; a monopolistic arranagement, whether governmental or private, is an invitation to poor performance.

Heald has summarised separate concepts, grouped under the term "privatization".[4] Heald examines separately privatization of financing, privatization of production of a service (e.g., contracting out), denationalisation and load-shedding and liberalisation.

Almost all experts on this subject have formulated methods with same essentials and, on that basis, we can decide that the methods of privatization are : 1. Selling fully or partially by public issues; 2. Selling fully or partially the shares to private buyers; 3. Diluting the public sector by new private investment; 4. Selling of assets of SOE; 5. Fragmentation or breaking up of an SOE into component parts; 6. Management/employee buy-out, and 7. Lease and management contract.

There are also many intermediate

levels, that is, those actions which are linked to privatization but are not covered under privatization namely : (a) Introduction of competitive features into an SOE (e.g., performance-related incentives); (b) Economic policy reforms, such as demonopolising certain activities or liberalisation or reducing regulatory constraints on business; these reforms may be combined with divestiture of state-owned assets ; (c) Increased use of private sector financing of new activities, such as contractor equity financing (e.g., "Construct, own and operate contracts")[5] or switching of the source of financing for the supply of goods or service from taxation to user charges; (d) Revenue participation certificates or revenue bonds issued by the state or by the state bodies; (e) Privatization by "attribution" (e.g., an SOE operating as quasi-monopoly but not renewing investments, gradually permitting the private sector to invest in plants and related facilities and take over all or part of the SOE's operations; (f) Contracting out, i.e., substitution of private contractors or services for production by the state or municipalities (e.g., for refuse collection, building maintenance, etc.) and franchising. Contracting out normally follows applicable governmental procurement techniques and procedures; and (g) Full liquidation of an SOE with the assets ending up in the hands of private purchasers while the SOE's activity is wound up.

II. SELLING FULLY OR PARTIALLY BY PUBLIC SHARE ISSUE

Features

Under this transaction, the state sells to the general public all or large blocks of stock it holds in a wholly or partially owned SOE, which is assumed to be a going concern set up as a public limited company. Technically this transaction amounts to a secondary distribution of shares. When a government decides to sell only a portion of its holdings, the result is joint state/private ownership of the enterprise.

Procedures

Public offering is treated as a primary issue. If SOE is in required conditions, then there is processing of public offering on the basis of prospectus. If it is not in required from or condition, then readying process is necessary. Offer can be on fixed price or tender basis. To be eligible for a public offering, the SOE must comply with certain legal, financial and disclosure requirements, governed by the applicable laws of the country of offering. If an enterprise does not meet these criteria, it may need to be readied.

Offerings may be underwritten as in France, Malaysia, U.K.[6] Many developing country markets have no underwriting capacity to support an

offering of any magnitude, while overseas underwriting is not feasible either. In such a case, the government as seller will necessarily take the risk of the sale on its own account. This was the case for the public offerings of shares in National Commercial Bank in Jamaica.[7]

Applications

Public offerings require that : (i) the enterprise be a sizeable going concern with a reasonable earning record or potential, or that it can be readied to become so; (ii) a full body of financial, management and other information is available or can be prepared for disclosure to the investing market; (iii) there is discernible liquidity in the local market; and (iv) either the equity markets are developed or there is some structured mechanism (including a regulatory body) that can be made to function to reach, inform and attract (as well as protect) the general investing public. It meets a government's objective to encourage widespread share ownership.

Implementation

The following are the major implementation issues likely to arise in the public offering of SOE shares in certain developed and developing country environments.

- In a large number of cases, an enterprise needs to be carefully restructured or readied to make the public offering feasible. Experience shows that this need not be an obstacle where the enterprise clearly has a good earnings potential. The transformation of government entities such as the United Kingdom, Japanese, Malaysian and Sri Lankan telecommunications enterprises into public limited companies represented by shares is an example of such a readying process.
- If the objective is to achieve widespread share ownership or to target certain segments of the investing public, specific mechanisms (incentives, restrictions, etc.) need to be introduced to ensure that those objectives are attained and maintained.
- Pricing mechanism should be defined.
- Altering and educating the public is the key to the successful subscription of a public offering.
- Distribution mechanism needs to be introduced to compensate for weakness of equity markets. This was done in Jamaica and Turkey.

Purchasers of shares must however be made aware of the inherent risks and not expect a government guarantee of return or of recovery of principal.[8] It is advisable that, in addition to the government's assessment of the safety of the securities offered when processing an SOE for public offering, a securities commission or similar agency be able to pass independent judgement when clearing securities for public offering. The absence of rating agencies in many developing countries adds to the need for governments to consider this issue carefully in the case of public offerings.

III. SELLING FULLY OR PARTIALLY SHARES TO PRIVATE BUYERS

Features

Under this transaction, the state sells all or part of its shareholding in a wholly or partly owned SOE to a pre-identified single purchaser or group of purchasers. It is assumed that the SOE is a going concern set up in the form of corpo-ration represented by shares. The transaction can take various forms, such as a direct acquisition by another corporate entity or a private placement targeting a specific group, for example, institutional investors. The privatization can be full or partial, with the latter resulting in mixed ownership enterprises.

A private sale of shares may be carried out before, or sometimes simultaneously with, a public offering.

Procedures

The sale of a government's shares in an SOE can be handled in a variety of ways. Two common ways are : *full competitive process,* with pre-qualification of bidders and *direct negotiation,* with *ad-hoc* procedure for identifying potential buyers (often involving a wide investor search).

The sales potential of enterprises must be carefully assessed. All operational aspects and assets of the enterprises must be carefully reviewed (e.g., the SOE may occupy an attractive market which is underutilized or neglected).

A number of countries have introduced mandatory procedrues or guidelines for private sales that cover matters such as price-setting, selection of purchasers (prequalification, bidding), uniform terms of finance, etc. France has developed detailed procedures for the selection, on the basis of competitive bidding, of a group of stable investors to whom shares of SOEs will be sold prior to an offering of shares to the general public.

Application

Because of their flexibility, private sales

are the preferred method with weak performing SOEs in need of strong owners with relevant industrial, financial, commercial and other experience and a high financial stake in the success of the firm.

One of the principal advantages of a private sale of shares is that the prospective owner is known in advance and can be evaluated, and may be selected based on ability to bring a number of benefits such as management, technology, market access and the like.

Implementation

The SOE may be in need of financial restructuring, such as alleviation of liabilities. Physical rehabilitation of assets prior to sale seems to be a rare occurrence. Mechanisms for handling employment issues, particularly loss of jobs and government benefits, may need to be designed; most will carry some cost. To ensure that a government's objectives are met and the public interest is served, mandatory proce-dures may need to be introduced to govern valuation, purchaser selection (prequalification, bidding process), etc. There usually is a need for government "distancing" in cases of partial privatization, to allay investor fears of continued interferences.

There is a need to differentiate between denationalisation or reprivatization exercises such as in Bangladesh, Chile (initial phases,) Philippines (part of the portfolio to be privatized consists of non performing assets acquired by state development banks), Spain (Rumasa) and Uganda, and first time privatizations. A company which was originally set up as a private enterprise may present quite different characteristics form a typical SOE. Formerly private companies will normally already be in the required corporate form and may be in lesser need of prior restructuring. However, during government ownership, the work-force may have grown too large, liabilities may have reached unsound levels, etc. These aspects would then normally need to be addressed prior to privatization, much as if this was a first time privatization.

A disadvantage of any private sale (of shares as well as of assets) is that it may give rise to criticism as to the selection of the acquiring party, particularly if a large number of transactions are so concluded as to give rise to inadequate spread of wealth in the country. Strict mandatory procedures will tend to compensate this effect.

Pricing will be one of the most difficult areas, as with several other forms of privatization.

IV. DILUTING PUBLIC SECTOR BY NEW PRIVATE INVESTMENT

Features

Under the previous two methods of privatization, the private sector purchased shares in an SOE that was a going concern. Here the transaction consists basically of the sale of assets, rather than shares in a going concern.

A government may sell the assets directly; the SOE may dispose off major assets. Generally, while the purpose may be to hive off separate assets representing distinct activities, the sale of separate assets may be only a means of selling the enterprise as a whole. Thus, the assets may be sold individually or be sold together as a new corporate entity. Assets can only be sold privately (unless the government embodies the assets and activities into a new company established for purposes of privatization, in which case a public offering or private sale of shares is possible). In some cases, assets are not technically sold, but are contributed by the government to a new company formed with the private sector.

Procedures

The sale of assets can be based on open competitive bidding or carried out by auction. It can also be concluded after direct negotiation with a pre-identified party. In the latter case, it will often be preceeded by a complex investor search.

While such disposals often cover physical assets, they may involve a spin-off of certain activities or rights. They may also involve giving up a market share to a private party for compensation.

Applications

By definition, the sale of assets involves a known party and in that sense it may have the same advantages as that of a direct sale of shares. In addition, it offers additional flexibility in that it may be more feasible to sell individual assets than the whole SOE or it may permit the sale of an SOE that might be extremely difficult to sell as a going concern. It should be borne in mind, however, that often this approach may result in residual liabilities for the government.

In many cases of SOEs that are not saleable as going concerns, the sale of assets is the preferred method, if not the only alternative. This method is possible because the enterprise's products and assets may be of relevance to a buyer in the private sector. In such cases, the government may decide to dissolve or dismantle the SOE and liquidate it by selling its assets and writing off its uncovered liabilities. The entity can then emerge as a private sector company. This method is also appropriate in some

cases of privatization of SOEs that are not set up under company laws (unless a public offering is planned, in which case conversion to a public limited company is necessary).

Implementation

The main implementation issue is how to handle existing liabilities. Unlike the sale of shares in a going concern, the assets are often sold without the corresponding liabilities. When the transaction involves simply the disposal of excess assets, no major problems arise. When the transaction involves full dissolution and liquidation of the SOE, most, if not all, of the issue associated with major restructurings will arise. For instance, full dissolution or winding up, in some instances the only alternative, is the most costly alternative, since it may involve settling all liabilities and laying-off all personnel. As with most transactions, however, there are many "hybrid" solutions. For instance, the enterprise may be dissolved and the assets sold, but under a contractual arrangement that obligates the buyer to rehire a substantial portion of the personnel or to assume certain liabilities subject to conditions prearranged with creditors.

Thus, the implementation issues very much depend on the actual situation. As with some other forms of privatization, pricing will be one of the most difficult areas.

V. SELLING OF SOE ASSETS

Features

This method involves the breaking-up or reorganization of an SOE into several separate entities or into a holding company and several subsidiaries.

Procedures

There are several possible ways to proceed that will depend on the legal form of the enterprise. Besides the sale of some of the assets, as described above, the options include : Break up into several legal entities; Transformation of the SOE into a holding company that acquires the shares of the subsidiary companies which have taken over the assets and liabilities of the original SOE. This method permits a gradual spin-off of some or all of the now smaller entities as purchasers are found; Hiving off of some activities, with the government retaining others (e.g., non-commercial ones). Such hiving off often amounts to the simple sale of assets; and the sale of productive facilities in single or groups of units rather than as a whole.

Once one of the above steps is taken, privatization of the individual components may be carried out through any of the other methods.

Applications

This method permits piecemeal privatization. It further permits different methods of privatization to be applied to different component parts, thereby possibly maximizing the overall process.

If an SOE incorporates too many activities that , in the aggregate, are not attractive to a potential investors, whereas individual units would be, fragmentation is a possible alternative. Sometimes, a state wishes to sell only certain components of the SOE, while retaining others, as in the case of British Rail. Some port authorities that embody many different operations (general port services, stevedoring, transit, towing etc.) have found that certain activities are better handled by the private sector, which finds them attractive, whereas the global operation might not be.

Fragmentation of port operations is obsei ved in Singapore, Guinea and other countries.

Implementation

Once an SOE has been broken up into component parts, the further privatization method applied (private sale, sale of assets, management/ employee buy-out, etc.) will determine the issues which may arise. However, the reorganization of an SOE into component parts may in itself present various issues arising under major restructurings, such as satisfaction of creditors' rights, employment issues, etc.

IV. FRAGMENTATION OR BREAKING UP OF SOE INTO COMPONENT PARTS

Features

The main characteristics of such a privatization method is that the state is not disposing off any of its existing equity in the SOE. Rather, it increase the equity and causes a *dilution* of the government's equity position. The resulting situation will be joint private/ government ownership of the enterprise (often referred to as joint venture). If the SOE is not wholly state-owned but, say, majority owned, then the new capital subscription will simply result in a further dilution of the government's interest, possibly resulting in private majority holding.

Procedures

This type of privatization is accomplished through a capital increase of the SOE, although it may be carried out through a merger procedure as well. In many such instances, the SOE will be transformed

into a mixed economy company. The new share issue of the SOE may be handled through a public offer of subscription or private subscription. In either case, the normal procedures for corporate capital increases and new share issues, subscription and payment apply. In some instances, various classes of shares are issued depending on the objectives of the parties involved. For example, private investment may be more forthcoming if preferred shares are offered. It should be noted that a new equity subscription by the private sector may be handled in conjunction with the disposal of existing government shares. In a number of instances new private investment was applied to the initial capitalization of a new company embodying SOE or government assets.

Such a mode of privatization, unlike perhaps the sale of assets, and to a lesser extent, the sale of shares, is rarely carried out on the basis of competitive bidding.

Applications

This will be the preferred method if a government's objective is both to reduce its proportionate shareholding or change the state/private mix in the SOE and if the enterprise is in need of capital. In certain situations, this method may be applied to strengthen SOEs which the government intends to keep in the state portfolio as in Italy, the IRI group concluded a merger between SGS, as micro electronic company owned by the subholding STET, and the relevant division of Thomson (France). IRI holds that this type of privatization is an important tool to make certain industries more competitive.

Implementation

The new private investment in the SOE is normally achieved through a primary equity issue by an existing SOE. It can then be handled on the basis of a public offering or a private sale, and the respective issues described in the discussion of these methods may arise.

New private investment may be for the capitalization of a new company embodying assets transferred to it by the government, and implementation methods with respect to the sale of assets may arise.

VII. MANAGEMENT/EMPLOYEE BUY-OUT

Features

The term management buy-out (MBO) generally refers to the acquisition of a controlling shareholding in a comapny by a small group of a managers. It often also designates a similar transaction where employees or management and employees acquire a controlling

interest. This section focuses particularly on acquisitions by management and workforce. For the sake of clarity, the transaction is referred to here as a management/employee buy-out. The leveraged management/employee buy-out (LMBO) involves the use of credit to finance the acquisition, with the assets of the acquired company generally used as security.

The special characteristic of the financing arrangements for management buy-outs according to Blackstone and Franks[9] is that financiers provide the bulk of the funds but take a disproportionately small proportion of equity; on the other hand, the buy-out team obtains a large share of the equity but provides a small proportion of the funding. High gearing ratios, where borrowings can be initially as much as five times the amount of share capital in the company, are not unusual and in some cases may even be higher than this. In such cases it is naturally important that the projected cash flow is sufficient to allow for the payment of large sums of interest and capital repayments without placing the viability of the business in jeopardy.

There are not many examples of management/employee buy-outs in developing countries. But cases like the leveraged buy-out of the National Freight Company Ltd. in the United Kingdom are essentially replicable. The management/employee buy-out constitutes a significant and promising technique for SOE privatization.

Procedures

There is more experience with employee buy-outs outside of the privatization sphere, the experience of which is, however, directly applicable to acquisition of SOEs.[10]

In most cases of buy-outs a holding company is created through an equity issue subscribed to largely by mangement and employees. The holding company then acquires the SOE which is to be privatized, using equity funds and, in the case of leveraged buy-outs, substantial borrowed funds.

Employee buy-outs require extensive programmes to inform and educate workers as to the benefits, and most employee buy-outs are management led transactions.

VIII. EMPLOYEE STOCK OWNERSHIP PLANS (ESOPS)[11]

Employee stock ownership plans are basically a financing technique that permits employees of a firm to acquire ownership of all or parts of the firm's stock without personal investment on their part. The stock may be a new

issue or a transfer of existing assets, such as would take place in a privatization. An ESOP fund is created by borrowing from banks, and the fund is used to acquire the company's stock. Each employee participation receives an allocation of stock to a personal account, and as the ESOP loan is repaid (by employer contribution to the plan), the plan's trustees allocate to each employee his share of the total.

ESOPs have up to now been a peculiarly American initiative because of the tax advantages afforded by U.S. legislation. Among others, these include: An Annual contribution paid by the employers to each employee's ESOP account up to 25 per cent of pay. This may be deducted against corporate income tax; In the case of an ESOP loan, the company can claim an income tax deduction for both principal and interest paid, since these are treated as business expenses for the funding of an employee benefit plan; The individual ESOP stockholder may, under certain circumstances, defer taxes on profits of stock sold back to the ESOP; and fifty per cent of the proceeds realized from the sale of the firm's stock to an ESOP are excluded from estate tax.

Tax reductions, both individual and corporate, provide powerful incentives for the formation of ESOPs in the United States, but they are not usually found in foreign tax systems. It has been argued that it is the ESOP concept that is important; adapting it to the conditions in developing countries will require imagination and flexibility in changing the tax structure. Although ESOPs are a relatively advanced concept for developing countries, requiring both legal skills and acceptance of share ownership, they may have application where a comparatively sophisticated financial system is in place. It is unlikely, however, that they will become a common method of saving employees from job loss as a result of privatization.

Applications

Mangement/employee buy-outs are a relevant means of transferring ownership to management and employees with little wealth or knowledge of share ownership and may be a solution for SOEs not otherwise saleable. They also constitute an enormous incentive to productivity. Clearly, it is a solution to the employment issues where the alternative is liquidation; the management/employee buy-out should minimize lay-offs and the substantial other costs of closing the SOE.

Several examples of this are to be found in recent British privatizations, the best known of which is the National Freight Company. A management and

labour group bought the company with a combination of a loan and employee equity subscription purchased by 80 per cent of the employees. They were rewarded with a substantial increase in share value in a very short time. Other examples include a water supply company in the Cote d'Ivoire that was taken over in a buy-out to avoid liquidation and a number of buy-outs with full or partial workers participation in Chile. A problem of such labour/ mangement buy-outs is that if the firm fails to generate profits because of heavy initial debt service costs, workers/shareholders may sell their stock at low rates to investors to avoid losses. Control of the firm could then pass to a few individuals who might profit handsomely when and if the firm can be turned around.[12]

The limited number of labour/ management buy-outs that have occurred in the developing world is insufficient to judge their usefulness as an instrument for preserving jobs in privatization. They may be attempted if enough credit facilities to acquire the firm are available, but workers investing their limited capital should be aware of the element of risk in the undertaking.

Implementation

The enterprise's cash flow and/or other security is required as underlying element of LMBO. The buy-out can be very lucrative but also risky. Any coverage of the risk by the government represents a residual liability associated with the privatization and needs to be weighed carefully.

IX. LEASE AND MANAGEMENT CONTRACTS

Features

Both leases and management contracts are arrangemetns whereby private sector mangaement, technology and/ or skills are provided under contract to an SOE or in respect of state-owned assets for an agreed period and compensation. While there is normally no transfer of ownership and therefore no disinvestiure of state assets, these arranagements can be used to "privatize" management and operations and thereby possibly increase the efficiency and effective use of state assets.

Lease : Under leases, fee is payable to more of productive facilities. The lease assumes the full commercial risk for operating the assets. Thus, if the state leases out coal mining facilities in return for an agreed payment, the lessee has to make the payment regardless of the profitability of the operation.

Under a lease, the lessee hires its personnel. The lessee may hire existing personnel and integrate them into its

own workforce, but in doing so would exercise complete freedom of choice. Under a management contract, the contractor may have wide powers over existing personnel, but they remain employees of the enterprise and are often subject to government pay scales and conditions. The difference in the extent of control over the work force (and the ensuing ability to upgrade its quality) can be quite wide between these two forms of arrangements and can affect the success of the operations under the lease or management contract.

Leases may cover the essential assets of an SOE. They may also include certain assets or rights spinned off from the SOE as part of a restructuring plan (such as Air Mali's TATA air routes, which were assigned to another airline against the payment of royalties).

Management Contract[13] : The management contractor (normally a company in the same line of business as the enterprise concerned) assumes responsibility under a contract to manage the enterprise for compensation.

Whereas a lessee *pays* the state for the use of assets or facilities, a management contractor *is paid* by the state for its management or other skills. While the contractor might be given extensive management powers and operational control, it has no financial exposure and receives its fee regardless of the profitability of the enterprise.

In this ownership is retained, a defined degree of control is maintained, and a high level of management and other skills is injected into the enterprise, enhancing its overall efficiency and profitability.

Procedures

Lease : There are no standard procedures for lease arrangements, and they are therefore best discussed by reference to acutal cases. The main underlying features are normally the conduct of the business by the lessee, in its own name, the right to use specified facilities for a fixed period and the obligation to pay the owner (government or SOE) a fee for use of the assets.

Management Contract : Several factors will influence the design and structuring of a management contract arrangement. They have found their widest application in the tourism/hotel industry, where they have become standardized in the sense that an accepted format and reasonably uniform provisions have evolved.

The choice of the management company is the most important element determining the results of the arrangement.

Applications

Leases and management contracts are the principal method of privatization of an activity in situations where privatization of the ownership of the assets or SOE is not appropriate. However, both offer advantages which may in certain cases make their application preferable to other methods of privatization. The lease may also be used as an intermediate solution aimed at making a subsequent sale possible. Similarly, the management contract may also be an intermediate solution in turning an enterprise around for subsequent privatization of ownership. Several textile companies in Sri Lanka have been turned around into profitable ventures through management contracts; some are now being processed for public offering.

The choice of a lease as opposed to a mangaement contract depends on the government's objectives and the state of the enterprise in question. If the enterprise is run down and unlikely to respond to external management expertise, then leasing is a better alternative.

Implementation Issues

A management contract represents a cost and only increased profitability will offset this cost. In the case of a lease, the lease fee paid to the state may not cover the debt liabilities. Moreover, under a management contract, the government may still need to inject funds to sustain operations.

Under the lease, there will be a need for the state to carefully assess the financial strength of the lessee on whose regular lease payments it will rely.

X. CONCLUSION

The use of appropriate techniques depends on a thorough understanding of constraints, obstacles, industry and market characteristics, etc. Each privatization transaction is different and needs to be designed to meet the specific characteristics and objectives of a country, enterprise and time, taking into account local administrative, political, economic, social and legal conditions of both the country and the enterprise (s) and assets targeted. It is clear from the above review that creativity is a prominent and necessary ingredient of privatization.

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