Privatization Experiences in the EU

A Review

Wolfgang Blaas, Marica Frangakis, Gabriel Sakellaridis

1. Introduction

This paper has been compiled from a number of working papers[1] which have been written as contributions to the workshops and discussions of the Coordinated Action PRESOM during it's first year of operation. While it gives a brief overview over some crucial aspects of privatization in the EU member countries, it claims to be no more than a basis for further discussion.

The countries included in this overview are grouped in the following way:

* Western Europe: UK, Germany, France, Italy, the Netherlands, Austria
* Scandinavian countries: Sweden, Finland, Denmark
* Southern Europe: Spain, Portugal, Greece
* CEE countries: Czech Republic, Hungary, Slovenia, Poland, Romania
* Baltic states: Estonia, Latvia, Lithuania.

Privatization is a multidimensional economic and social phenomenon. It will be dealt with across the above mentioned countries along the following dimensions:

* Time dimension - Phases, periods and turning points in the history of privatization across different European countries (the "when" question).
* Sectoral dimension - The sectors involved. Sectors of interest include industry, services and utilities (the "what" question).
* Institutional/legal aspects - Types of privatization (the "how" question).
* Actors involved in the process of privatization (the "who" question).
* The rationale for privatization relevant at the time of privatization (the "why" question).

Before turning to these dimensions in more detail, the paper presents a short general background of the privatization and liberalization development in the post World War II period in the EU.

2. Background and history of liberalization and privatization in the EU

Following the Great Depression and World War II, the consensus among elites in economics and politics was that capitalism could only function with regular and robust government management. So much so, that in 1971 Richard Nixon announced a plan to impose wage and price caps in order to curb inflation, declaring "We are all Keynesians now"[2]. However, with the collapse of the Bretton Woods Agreement only a few years later and the two oil shocks that marked the 1970s, the consensus on the role of the government in the economy gradually declined, and eventually it changed direction.

With the onset of the 1980s and the Reagan and Thatcher era in the US and in the UK respectively, the dogma of privatization and deregulation took hold of both politics and economics, spreading to the rest of the world at a remarkably fast pace. In fact, it is estimated that over the past twenty-five years, privatization has reduced the share of state-owned enterprises (SOE) in "global GDP" from more than 10 percent in 1979 to less than 6 percent in 2005[3].

The member states of the European Union readily adopted the policy of privatization, in the pursuit of a multiplicity of objectives. These included (i) promoting efficiency, on the often axiomatic assumption that "private companies tend to be more efficient that public ones", or, more elegantly, that "public ownership is … considered to reduce incentives for efficient resource allocation, both in terms of improvements in internal efficiency (cost-minimization) and allocative efficiency (pricing according to marginal cost)"[4]; (ii) increasing competition in particular sectors and in the economy at large; (iii) developing a national capital market; (iv) reducing the public debt, as well as the public deficit, especially in view of the adoption of the single currency; and (v) last but not least, promoting a culture of equity ownership amongst the population in general.

Most of the above objectives were first articulated by the Thatcher government in the UK, in the early 1980s. They were soon adhered to by many other European governments, primarily of a conservative political orientation, especially in the 1980s, as well as of a social democratic orientation in the 1990s. Furthermore, they were adopted by the Central and Eastern European countries (CEEs) in the 1990s, following the collapse of their Soviet-style regimes. In the latter case, privatization was also regarded as a means of societal transformation.

From the start, privatization was considered to be a significant component of structural reform and a central element of the "liberalization package", that promised to lift the European economies out of the standstill they found themselves in, in the late 1970s. As such, it was first implemented in competitive sectors, such as manufacturing and banking, beginning with smaller assets, which were easier to dispose of, while it moved on to the services sector in the 1990s.

In particular, the services sector was considered to be an ideal candidate for privatization, given that it was mostly outside the sphere of international competition. The more oligopolistic the structure of any particular sector - such as that of the public utilities, communication, transport, etc - the more it attracted the attention of privatizers. The telecommunications sector dominated privatization, both on the European and on the global level. This was largely due to the rapid pace of technological progress and the introduction of new products and structures, lowering the costs of entry, as well as the liberalization of the sector by government policy. In fact, the extensive and early sale of telecom assets was said to serve as "a flagship sale of public utility assets"[5]. As a result, telecommunications companies have been partially or fully privatized in most European countries over the past 20 years (see Appendix, Table 1).

The actual form of privatization varied from country to country and one period to another. Certain common elements can however be discerned. Thus, in the 1980s, the emphasis lay on public share offerings (PSO). These were costly to perform, as well as time consuming. However, they helped boost the national capital market, while they served the primary ideological goal of privatization, that of spreading share ownership. Although PSO did boost both the market capitalization and the trading volume of European stock markets, they failed to spread share ownership, as many buyers disposed of their newly acquired shares soon after. For example, it has been found that the total number of shareholders in the largest privatizations (500.000 or more investors) declines by 33 per cent within five years of the share offering[6].

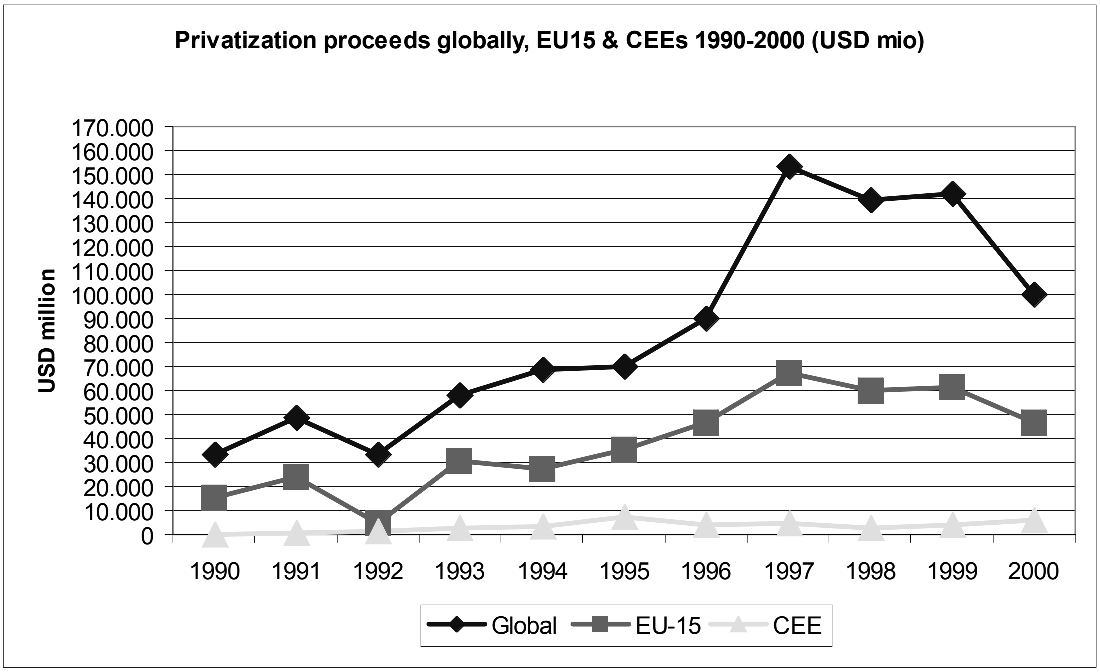
Other forms of privatization include trade sales, i.e., the direct sale of an asset to a buyer through negotiations or a process based on competitive bidding, usually favoured for small and medium-sized companies &/or where the national capital market is practically non-existent, as was the case in the CEEs.

Yet another form of privatization, prevalent in the CEEs especially in the early stages, was that of "mass" or voucher privatizations, whereby vouchers were distributed to the population, which citizens could use to bid for shares in the companies being privatized. Although very popular at the beginning, this method led to disappointment in many instances, largely due to the absence of a well-developed legal and financial infrastructure and to its lack of transparency.

In later years, as the privatization process matured - i.e. the stock of state-owned assets was depleted - new forms of privatization emerged, such as the "private-public partnerships" (PPP) and the "private finance initiatives" (PFI), especially popular since 2000 in all member states of the EU. These denote a new type of relationship between the public and the private sector, whereby the latter is in control of public assets, largely, if not exclusively, in its own benefit.

Over the period 1990-2000, the privatization proceeds of the EU-15 accounted for 45% of the global amount raised from privatization. Including the Central and Eastern European countries raises the EU's share to 48%[7]. Figure 1 shows the annual amounts raised by the EU-15, the CEEs, as well as globally between 1990 and 2000. In the case of the EU-15, these increased steadily since the early 1990s, peaking in the second half of the decade, while they fell after 1999, following the deflation of the world stock markets. The amounts raised by the CEEs, starting from practically zero in 1990, peaked in 1995, while they appear to have been little influenced by the stock market downturn of the late 1990s.

Figure 1: Privatization proceeds



Source: OECD, Recent Privatization Trends, 2001

As we can see, the severe fall in stock market activity in the late 1990s was reflected in a slow-down in the rate of privatizations both on the global and on the EU level. However, since 2004, as stock market activity picked up, European governments pushed forward their privatization agendas anew. For example, in 2004, privatization revenues increased by 58% in relation to the 2001-2003 average, accounting for 53% of global operations and 72% of global revenues[8)].

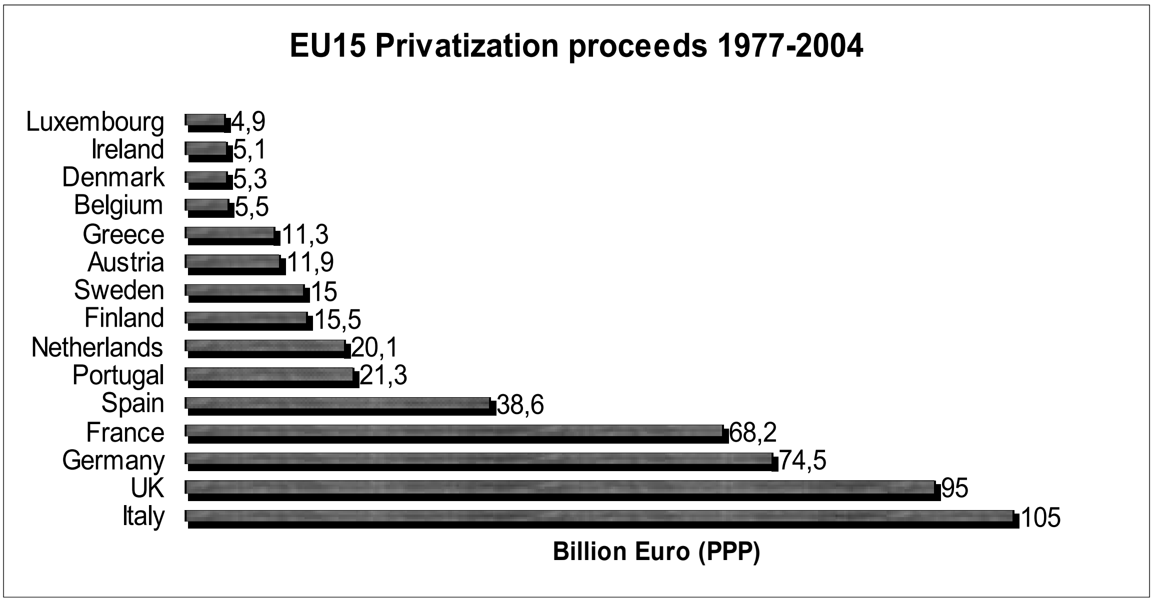
Overall, over the period 1977-2004, the privatization revenues of the member states of EU-15 amounted to €497 billion, while those of the new member states amounted to €54 billion. The top privatizers were France, Germany, the UK and Italy amongst the EU-15 (Figure 2) and Poland and the Czech Republic amongst the CEEs (Figure 3).

With regard to the sources of the privatization proceeds, the European governments initially targeted domestic retail investors specifically, in order to justify their claim of promoting 'popular capitalism'. Such investors were in fact an important source of privatization revenues in the 1980s. Foreign investors however acquired a significant role in the 1990s, as well in the CEEs.

Although the main purpose of this paper is to discuss the methods and rationale of privatizations across the member states of the EU, rather than to assess the empirical evidence of their impact on different variables, it should be noted that after 25 years of privatization experience, there has emerged no universal consensus as to its social and economic implications. However, as the rate of privatizations intensified in the 1990s, the notion that these lead to greater profitability and efficiency appears to be gaining ground. At the same time, the detrimental effects of privatization on employment are generally acknowledged[9)]. Lastly, its distributional effects, i.e., its implications for income from employment and for the access to formerly public goods and services, constitute a relatively new area of research.

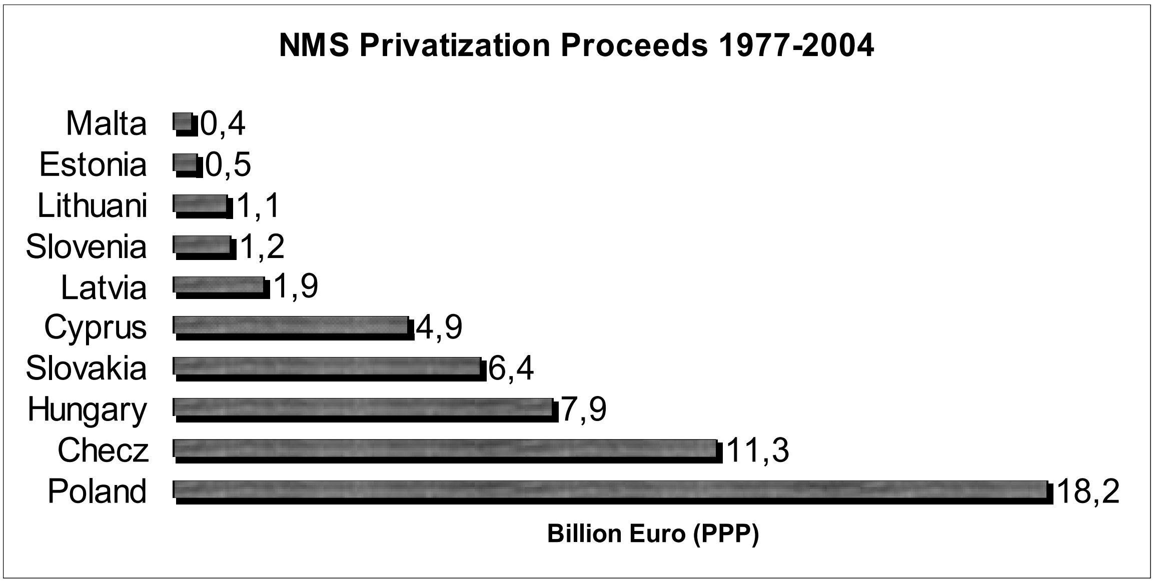
Overall, the privatization experience of the European countries encompasses a wide range of approaches, closely related to each country's unique economic, social and political context. Collectively, they provide a valuable source of information on the methods, practices and implications of privatization over the past twenty-five years.

Figure 2: EU15 privatization proceeds



Source: Morano 2005, The Future of Privatization in Europe

Figure 3: New Member States of the EU (NMS) proceeds of privatization



Source: Morano 2005, The Future of Privatization in Europe

3. Phases of privatization (the "when" question)

The development of the privatization process across the member states of the European Union dates back to the mid 1980s. In view of their different historical background, the actual experience across countries varied. For example, in Western Europe, the change in government from conservative to social democratic appears to have had a direct impact on the pace of privatization. However, moving into the 1990s this distinction becomes blurred, as the rate of privatization became more synchronized across the EU. Outside the core group of the EU, the experience of the southern periphery states and of the CEECs, as well as of the Baltic states, presents certain particularities, which however become weaker towards the end of the 1990s. And since 2000, the privatization policy of the EU member states appears to follow a similar trend.

3.1 Western Europe

Privatization in the **UK** started with the first Thatcher government in 1979. Before 1979 there had been a few de-nationalisations, while the state was the only player in many sectors of public interest. The process in the UK can be divided into four phases, not only chronologically, but also due to its varying features since 1979. The first phase, which covers the first half of the 1980s, included the sale of minor shareholdings or small manufacturing companies of no particular public interest. The second phase, consisting of an accelerating wave of large privatizations, began in the mid 1980s (with British Telecom) and lasted for about 10 years (Railtrack). These two initial phases of privatization concerned - with very few exceptions (such as the case of the Bank of England) - all the sectors which had been nationalized during the post-war nationalization wave of 1945-51, as well as by the Heath government in the early 1970s (Water Board, British Leyland, Jaguar). They related mostly to infrastructure and to a smaller extent to manufacturing. Following these phases, the share of the public sector in GDP fell considerably from 9% in 1979 to less than 3,5% in 1992.

In the third phase, new forms of privatization were developed. The most prominent one was de-mutualisation, which started in 1989 (Abbey National) and played a significant role throughout the 1990s. The fourth phase of privatization was set in motion following the return of Labour to office in 1997 and it continues until today. It takes mainly the form of Private Public Partnerships (PPPs) and especially Private Finance Initiatives (PFIs), which, although applied by conservative governments since the early 1980s, were fully endorsed by Labour. Also, the contracting-out of public services constitutes a major form of privatization since the late 1990s.

Germany differs from the UK in terms of timing, although its privatization record can also be divided into four main periods. In particular, a privatization programme was launched in Germany much earlier than in the UK, in the 1950s, under Chancellors Adenauer and Erhard, lasting until the mid-1960s. This policy resulted in about 40 privatizations, mostly of minor public entities like local airports or industrial holdings, with a total estimated value of about 250 million DM. The first major privatizations were those of Preussag (mining company; 1959), Volkswagen (automobiles, 1961; the federal state kept 20% and the State of Lower Saxony 20%) and VEBA (energy, 1965; the federal state retained 40%). After the mid-1960s, the social democrats were elected to government and the privatization process was frozen for about two decades, until the mid 1980s. The second phase of privatizations in Germany began in the mid 1980s and lasted until the end of the 1990s. It concentrated in the first place on network industries, running in parallel with the corresponding process in most other countries of the EU. A separate, relatively short but very intensive third phase within the second one was the complete privatization of the Eastern German economy, which started in 1990 and was largely accomplished by the end of 1994. The fourth phase started at the end of the 1990s and it is still gaining momentum. It relates mostly to the public services.

In **France**, the first steps towards nationalization and the construction of the "public service" concept occurred in the 19th century. Following the two World Wars and the Great Depression, the state adopted large-scale interventionism in the French economy. The last round of nationalizations took place after the elections of 1982, that led to a socialist-communist government. However, after the victory of the conservatives in 1986, the first large wave of privatizations took place in France, lasting until 1988 and leading to the privatization of 15 groups or subgroups that corresponded to 1,200 firms and 350,000 workers. The law that was passed in 1986 listed a number of public enterprises to be privatised, establishing a Commission that was put in charge of evaluating public enterprises and supervising the process. In 1988, a new socialist government was elected. It froze the privatization program, although it did not renationalize any privatized enterprises. This is what is known as the "neither- nor" period. However, the re-election of a right-wing government in 1993 generated a second privatization wave. The law of 1993 listed 21 public groups, corresponding to 1,645 firms and 644.000 workers. In 1997, a new socialist government won the election. The "neither-nor" policy was replaced with an "and-and" one. That is, the socialists adopted privatization as a means of restructuring the economy and improving its competitiveness. Between 2000 and 2002, privatizations slowed down due to the stock market decline. However, since the middle of 2002, the process has accelerated following a "pragmatic approach to the state's role in the economy", according to former Premier Ministre Raffarin.

Turning to **Austria**, we note that state intervention generated high growth rates in the post-war era. However, in the 1980s the large losses incurred by state enterprises gave rise to concerns both by management and the public at large, leading to the radical reform of particular firms. The ÖIAG (Austrian Industry Holding) played a central role in this process, which it still does. In 1993 a decisive change in the task of the ÖIAG took place. It was transformed from an operational and management holding into a property and privatization holding. The criteria for choosing between alternative methods of privatization was the maximisation of revenue by the seller. A new task was assigned to the ÖIAG in 1996. The holdings of the central state (Bund) were transferred to the ÖIAG with the prospect of being subsequently privatized. In 1997, the social-democrat government formulated the new role of the ÖIAG as a core-shareholder. To prevent hostile takeovers, the state was to hold at least 25% in key industrial companies. However, the government's privatization strategy changed significantly in 2000, when the conservative party came into power. The model of the public core-shareholder was abandoned and replaced by a programme of outright privatization. Of the ÖIAG's 14 holdings, 9 had been sold by the end of 2005.

Following WWII and until the early 1980s, **Italy** was next to the Soviet Union the country with the largest percentage of public property in production. The state owned and controlled 100 % of the steel industry, 90% of the shipbuilding industries, 80% of the banking sector and large parts of other industries. The starting point for privatizations was in the 1980s, when a restructuring of the economy appeared necessary. The first privatizations occurred not in a systematic way. They were concentrated mostly in the automobile industry, the steel and engineering industries, the shipbuilding and repair sectors and in maritime transport. However at the same time, the state increased its participation in other sectors. At the beginning of the 1990s, the Italian state participation in the economy was the largest amongst OECD countries. This is when privatization was introduced in a systematic way and a number of laws were passed. It accelerated strongly in the second half of the decade in absolute and in relative terms. According to OECD statistics, the revenues from privatization in Italy exceeded those of any other OECD country between 1995 and 1999.

In the **Netherlands**, privatization as a programmatic political activity started in the first half of the 1980s during the Lubbers governments, which in 1982 published a privatization programme and a list of 14 privatization candidates. And 1988, when eight of these had been implemented (at least in the form of "corporatisation") a second list with a further 40 objects was published. But the change of government in 1990 together with unfavourable experiences with privatised services - e.g. in ship pilotage - brought privatization to a halt. It was subsequently taken up again in the 1990s and gained momentum under the second social democratic government of Wim Kok during the current decade. Since then the government has more or less continuously sold different stakes of its state participations. Currently new reservations are rising.

3.2 Scandinavian countries

In **Sweden**, there were only minor ideological differences concerning privatization between socialist and non-socialist parties after World War II. For example, a non-socialist government carried out the nationalization of the shipyards in 1976-82. The decisive change came with the right-wing Bildt-government of 1991-94. This authorised the privatization of 35 companies, which was meant to promote "competitive ownership structures", and, more generally, to separate more clearly politics from business. When the social democrats came into power in 1994, no more general authorisations to privatize the remaining companies (out of the 35 firms) were given.

In **Finland**, privatization appeared on the political agenda in the 1980s, when the social democrats were in government. In 1991, the Ministry of Trade and Industry (MTI) set out a privatization programme. The subsequent right-wing government was not able to engineer it, due to the then prevailing economic crisis. This happened later, despite the election of a left government in 1995. Until 1997, three major companies (Enso-Gutzeit; Valmet; Outokumpu) had been privatized. On the other hand, the state became the majority shareholder (30,4%) of a previously private manufacturing concern in mineral products and machinery (Partek).

In **Denmark**, the privatization experience was different to that of other countries. Very few privatizations have taken place. From 1993 until 2005, 11 privatizations occurred, a number which is relatively low, implying that the state continues to play a key role in many sectors of the Danish economy.

3.3 Southern Europe

In **Spain**, the process started at a very slow pace after the election of the socialists to government in 1982. Since 1985 a large scale process has taken place following the accession of Spain to the then European Economic Community. Firms that were nationalized during the 1970s recession, those belonging to sectors outside the strategic planning of the government and those characterized as technological latecomers, were the first to be privatized. After 1992, the large budget deficits, in combination with the economic recession of the early 1990s, forced the government to accelerate the privatization of public enterprises. One of the last acts of the socialist government was the dissolution of the National Institute of Industry (INI) and the creation of two groups of firms: the State Company of Industrial Participations (SEPI) and the State Industrial Agency (AIE). The former incorporated the most profitable and dynamic firms. Following the election of the conservatives to government in 1996, the process accelerated rapidly, especially after 1997. Between 1996 and 2001, the total revenue from privatizations reached 29.778 million US$, doubling the privatization proceeds achieved by the socialists over the previous ten years. The most intensive privatization activity was carried out in 1997 and 1998, when the privatization proceeds reached 2,7% and 2,8% of GDP, respectively.

In **Portugal**, privatizations started earlier than in other members of the European Union. As a result of the political commitment to a market economy advocated by the Portuguese Government under the influence of British Thatcherism, a wave of privatizations ended the short period of nationalizations, common in all three Southern European countries emerging from dictatorships in the mid-1970s. The change in government in 1995 with the election of the socialist party actually increased the rate of privatizing the economy.

In **Greece**, the process started late by comparison to the other European countries. After the nationalization of major enterprises that took place in the 1970s and 1980s, the public sector increased significantly in size. The first privatizations took place, when the conservative party won the elections in 1990. The law of 1990 prescribed a number of different methods of privatization, while its main emphasis was on the rate of implementation. The conservatives were succeeded by a "blairite"-type of socialist party, which ruled for the next 11 years (1993-2004). The initial privatization law was reformulated in 2002, lifting many of the remaining restrictions to privatization policy (Law 3049/2002). The proceeds from privatizations in Greece were insignificant in the early 1990s, while it is only in the late 1990s that they became significant, peaking in 1998-1999. During the last term of the socialist party (2000-2004) and since the return of the conservatives to power in 2004, privatizations accelerated anew.

3.4 CEE countries

As it may be gathered, the privatization experience of the former socialist countries goes back to the fall of the previous regime, namely to the early 1990s. However, in some countries the first steps towards private ownership took place earlier.

In the **Czech Republic,** the privatization process started in 1990, taking the form of the "restitution" of assets that had been socialized in 1948. In that year, a "small-scale privatization" process also took place, involving the ownership of small firms and shops. The law regulating privatizations was passed in 1990. This was followed by the so-called "coupon-privatizations", which were launched in two waves, in 1991-92 and in 1993-94. The first wave covered the whole of Czechoslovakia, whereas the second one involved the Czech Republic only. This method of privatization was very popular in the

Czech Republic until 1996. In the late 1990s, large-scale privatizations took place, whereby the state sold the companies to professional investors chosen on the basis of tenders. In 1998 the so-called strategic companies were still under state ownership, or state-owned banks held shares in them. In 2000, the process gained a new momentum, when political agreement was achieved between the government and the opposition.

In **Hungary**, the process started in 1988, already before the collapse of socialism. The period 1988-1990 can be characterized as the "spontaneous" phase. During that time, state enterprises maintained their status, although their property and financial assets were transferred to economic associations, while, in exchange, they were given shares in the stock holding company. In March 1990, the State Property Agency was established and the First Privatization Programme was put into effect. One of the first steps was the reorganization of the state enterprises according to the requirements of the market. Parallel to the restructuring, which lasted from 1990 until 1994, privatization took place on the basis of techniques and methods introduced in Western Europe and especially in the UK. In 1992 a State Holding Company was established to handle the part of the property that remained in state ownership. In 1995 the socialist Hungarian government merged the two state institutions into the Hungarian Privatization and State Holding Company (ÁPVRT). With the privatization law of 1995, the government declared its aim to accelerate privatization and launched a large-scale privatization policy.

Similarly to Hungary, **Slovenia** took certain privatization initiatives already in the late 1980s before the change of the regime. In the early 1990s, the first debates concerning the privatization method took place. Two different types of privatizations emerged. On the one hand, a gradual, decentralized and commercial type of process was advocated, while on the other hand, there existed supporters of a mass, centralized and distributive type of privatization. The first concept was implemented until April 1991, but it failed to provide support for the large unprofitable enterprises, while it was politically unattractive, as it was not accompanied by the free distribution of shares to the citizens. Thus, it was replaced by the second privatization concept. Its implementation was initially rather sluggish. In 1993, only 135 enterprises presented their plans to the relevant authorities, of which 31 were approved. By the end of 1995, 1.446 companies had submitted privatization programs. The process lasted for more than six years, during which 1.381 enterprises obtained approval for and were included in the Court Register, while the remaining 55 companies were either transferred to a Development Fund or liquidated.

At the turn of March and April of 1990, two bills on privatization were submitted in **Poland** almost simultaneously, one governmental and one parliamentary. The two bills differed considerably in terms of the conception of privatization that they proposed and the solutions they offered. The final draft of Privatization Act concerning the State-owned enterprises passed in July of 1990. It generally was concordant with the one submitted by the government although it contained some concessions to local authorities. The staff was granted the right to obtain 20% of the company's shares at half price. Additionally, they could take part in deciding upon the method of privatization of their company. However, in the first years of Polish privatization process the results were very poor. In 1997, Poland exhibited the smallest private sector from all CEE countries, with 65% of GDP produced by the private sector.

A number of laws were passed in **Romania** at the beginning of the 1990s, facilitated the transition into the free market system. More specifically, it was the Law no. 15/1990 concerning the conversion of former socialist enterprises, which enshrined the notion of non-privatizable entities, the so-called "regii autonome", the Land Law and the Law no. 58/1991, the so-called "Privatization Law". The latter fully covered the above-mentioned laws and contained a very ambitious and radical Mass Privatization Program. It shared some elements with solutions used in other Eastern European countries, and contained some specifically Romanian elements. For the five years 1992-1996 the notion of privatization was virtually identical with the provisions of Law no. 58/1991.

3.5 The Baltic states

The first steps towards privatization in Estonia, Latvia and Lithuania took place - as in other former socialist countries - before the collapse of the regime. The "perestroika" experiments and the introduction of the entrepreneurial co-operatives in the Soviet Union during the late 1980s were the forerunners of what followed. These co-operatives were mainly set up in trade and services, although a rather large number of them existed in the manufacturing sector. Later, the co-operatives were reorganized into private firms. In 1990, the cooperatives employed

10% of the workforce in Latvia and Estonia and 5% in Lithuania.

During the period 1992-1993, the governments of the Baltic states put forward a small-scale privatization plan, aiming at selling small enterprises, especially retail shops. In **Estonia**, by 1994, the private sector share in services was 83%. In **Latvia**, the privatization of small enterprises started in November 1991. Out of 712 enterprises listed for privatization, only 312 were privatized during 1992-94 mostly through lease buy-outs to insiders. In **Lithuania**, privatization was much faster and more comprehensive in the early years of transition.

During the period 1994-1997, a large scale privatization process occurred in the three Baltic countries. In Estonia the privatization of large enterprises reached its peak in 1994. In Latvia the process was slower, gaining momentum in 1995-96 and peaking in 1997. In contrast, in Lithuania the privatization of larger enterprises took place around 1992 and many of the large enterprises had been sold by 1994. In 1998, the public sector in Estonia owned 1% of all enterprises, in Latvia 7% and in Lithuania 6%.

4. Sectors which have been privatized (the "what" question)

Practically all sectors of economic activity feature in the privatization experience of the member states of the EU, albeit with variations as to the extent of the sector being privatized, the chronological order, the proceeds and the regulation of the sector following its liberalization and privatization. In particular, the privatization of state enterprises in the manufacturing sector, which in many cases preceded the privatization drive of the 1990s, presents the greatest variations. It mostly concerned shipyards, cement and steel industries, although it is difficult to discern a unique pattern. On the other hand, the privatization of the network industries - transport, telecommunications, energy - appears to follow more or less a similar pattern, although the experience of the CEECs displays certain differences, related to their particular historical and institutional background. The financial services sector has also undergone extensive privatization, especially in the CEECs. Lastly, privatization is currently spreading to the public services sector, which in many cases still remains in public hands.

4.1 Western Europe

In the **UK** the first privatizations took place in the manufacturing sector. A number of state manufacturing enterprises were sold to private investors subject to no further regulatory constraints. Of these, only two - British Steel and Rolls Royce - yielded substantial revenues, estimated at 77% of all revenues from privatization in manufacturing (4.636 bn BP out of 6.013 bn BP). Infrastructure and public utilities were the main sectors to be privatized from the mid-1980s to the mid-1990s. The privatization of British Telecom yielded a substantial amount (about 19.338 bn BP, 32,4% of the total). Other important privatizations included Railtrack, the British Airport Authority, British Airways and of course the public electricity and gas company. In the financial services sector, the two sub-sectors that are worth examining are the mutual building societies and the mutual life insurers. They were mostly de-mutualized throughout the 1990s. The transformation from mutual societies to stock corporations was usually accompanied by a payment to the stockholders, equivalent to their shares in the former mutual societies. The prospect of this payment was a further reason to press for transformation. Privatization has also penetrated education, social services and even public administration, prison and military services.

In **Germany**, privatizations occurred in four major areas. (A) In a small number of large industrial corporations - some of which, such as Volkswagen (cars) and Salzgitter (steel), had been founded as state-owned corporations during the Nazi-time - and industrial conglomerates (VIAG 1986 and 1988), IVG (1986, 1988 and 1994). (B) In the infrastructure and utilities sector in West Germany: electricity, gas (VEBA, RWE); postal services (Deutsche Post: partial privatization of 49,8%), telecommunications (Deutsche Telekom, UMTS licences), transport (Deutsche Lufthansa, airports, local transport). However, water provision is still mostly under the ownership of municipalities. (C) In the entire economy of East Germany, which was transformed from a socialist into a capitalist state. And (D), in the public services of unified Germany, especially after 2000, including public and cooperative residential complexes, health services and in particularly hospitals and pension schemes (introduction of capital funded schemes), education and research. An important area of privatization on the federal level is the German pension system. This process started with the pension reform of 2001, through which the public pay-as-you-go system was curtailed and a second capital funded (i.e. provided by private financial institutions) pillar was introduced, strongly promoted via tax subsidies. The ongoing discussion of the healthcare system points to a similar direction.

In **France**, privatization policies prevailed in the financial and banking sector. The process started in 1987 with the privatization of Cie Financiere de Paribas through a public offering that yielded 1.764,4 million US$. In 1993 and 1994 respectively, the majority share packet of Banque Nationale de Paris (BNP) and of an insurance firm, UAP, were sold through a public offering yielding 3.056,3 and 2.545,4 million US$ respectively. This process accelerated in the late 1990s with the privatization of Credit Lyonnais and GAN and it was followed in the 2000s with the sale of Eulia and Banque Hervet. In the manufacturing sector the largest privatization was in the automobile industry - the sale of Renault in 1994 and in 2000 and of Thomson Multimedia in 2000 and 2002. In the energy sector, the largest privatization was the sale of 12,7% of the shares of Electrecité de France in 2005, which yielded 8.400 million US$. In the same year, 17,5% of Gaz de France was sold at 4.051 million US$. In the oil industry, the sale of Elf Aquitaine in 1994 and the public offering of Total in 1991, 1992, 1996 and 2004 were the most important privatizations.

In **Austria**, water provision is delivered to 78% of the households by water enterprises under public law and a further 16% by enterprises under private law but owned by public authorities. Hence, the role of private business so far is quite small. However, there are some trends towards privatization, which may be classified in three groups: expansive strategy, selling/transfer and PPP-models. The introduction of the latter was on the programme of the government coalition of the mid-1990s. The conservative government (2000-2006) started a privatization debate on the basis of a Price Waterhouse Coopers report, which recommended a reorganisation of water supply in 10 regional providers, which subsequently should be run by private enterprises. With regard to the housing sector, which has a strong public tradition in Austria, the regulating law changed in 2001 and allowed the non-profit housing institutions to convert into profit-seeking enterprises. In fact, the Federal government forced the 5 largest housing institutions to become profit seeking. Concerning the railways, the first steps towards privatization were taken in 1992 when the ÖBB (Austrian Federal Railways) was transformed into a company under private law. The net infrastructure was opened to competitors in 1998, and a controlling institution was implemented. In 2004, the ÖBB-Holding was established, consisiting of five firms. Though formally behaving as a private company, the holding is owned completely by the state. The net infrastructure was opened to other providers, but by 2005 only 11 other railway companies were using the track infrastructure, with a more or less negligible market share.

In **Italy**, privatization focused in the first half of the 1990s on the financial sector and the utilities, while later on, it spread to the manufacturing sector. As a result of this process, state ownership in the financial sector has shrunk to almost zero, from 90% in the early 1990s, while public participation in the oil (ENI) and electricity companies (ENEL) has fallen to about 20%. With regard to telecommunications, Telecom Italia was totally sold to private concerns between 1985 and 2002, through successive IPOs and private sales of shares. Only the railways and the postal services remain under public control and (direct or indirect) ownership. Privatization has mainly affected corporations owned by the central government, rather than by the local or regional government. Publicly owned local services are still widespread in transport, water provision, waste disposal, sanitation, gas and electricity distribution.

Privatization in the **Netherlands** concentrated very much on the network services where it is still going on. It has also taken place in the area of public social housing from which the state has largely withdrawn since the 1980s. Beyond these sectors in 1990 the government merged the state owned Postbank and the Nederlandsche Middenstandsbank and sold it to the private financial conglomerate ING against cash and a (very small) stake in ING which it sold in the subsequent years. By now the postal and telecommunication services, the energy and gas sector and the transport sector have been largely privatised. But at the same time in several areas there is still government ownership, in some not irrelevant cases 100% and in some cases new government owned corporations were set-up, like Tennet (see Annex, Table 2). This unclear and seemingly paradox development finds its explanation in the concept of privatization which is prevailing in the Netherlands (at least according to von Damme 2004). It should also be noted that the Dutch parliament has passed in 2004 a law that prevents private companies from providing drinking water services to the public (Hall 2004: 3).

4.2 Scandinavian countries

In **Sweden**, the most important privatization was the sale of 20,9% of Telia AB, the leading telecommunications company, which was floated on the stock market. Between 1998 and 1999 several privatizations took place in the energy, gas and water distribution sectors (Stockholm Energi, Hassleholm Energi AB, Kramfors Fjarrvarme AB, Norrkoping Miljo and Energi). In manufacturing, the most important privatizations were those of Pharmacia AB (a pharmaceutical firm) and of SSAB (Swedish Steel Firm), in 1992 and 1994 respectively.

In **Denmark**, privatization has involved the sale of shares in the financial sector and in a computer centre (Datencentralen). In the latter case, 75% of the shares were sold to an American company in order to gain technical cooperation. A partial privatization has taken place in the case of Tele Danmark and of the Copenhagen airport. However, privatization and deregulation are not an issue in the services sector. Only some municipal bus companies have been sold and some services have been outsourced, for example in the Copenhagen region.

In **Finland**, it seems that privatization and commercialization play an increasingly important role in the services sector. E.g., two bus companies in Helsinki are owned by private foreign business (Linjebuss, Sweden and Stagecoach, UK), while the bus lines are increasingly being tendered. Although the railways, the postal services and telecommunications have not yet been privatized, they have gradually shifted their primary business goals from social objectives to profitability.

4.3 Southern Europe

In **Spain**, a large wave of privatizations took place after 1996. In the energy sector, Repsol, the oil company, was totally privatized in the period 1989-1997 after six consecutive IPOs and one direct sale. Moreover, Endesa (energy) was privatized in the same way, although the state holds a 'golden share' of 2,85%. In the telecommunications sector, Telefonica, the state monopoly was also privatized through IPOs and direct sales. In the transport sector, 40% of Iberia, the national air carrier, was privatized through a direct sale in 1999, and 48% through an IPO in 2001, yielding 1.617 million Euro in total. In the banking sector, the largest Spanish bank, Argentaria, was privatized through 4 IPOs from 1993 until 1998, yielding 5.041 million Euro.

In **Greece**, privatization has mostly affected the manufacturing sector, banking and telecommunications, while it is also expanding to other sectors. E.g., one of the first privatizations to take place was in the cement sector (Heracles Cement, 1992). This was followed by the trade sale of shipyards. In the telecommunications sector, the public enterprise (OTE) was privatized through IPOs. The share of the state now amounts to 34%. In the energy sector, Hellenic Petroleum was also privatized through IPOs and the state now holds only 40% of the shares and the management. The electricity company (DEH) largely belongs to the state (51%). On the other hand, most state banks have by now been privatized. The latest one was the direct sale of the Emporiki Bank to Credit Agricole (2006).

In **Portugal**, a lot of privatization activity was observed in the banking sector. This started in 1989 with the sale of Banco Totta e Acores and was continued with the sale of a large number of public banks. The most important ones were the sale of Banco Espirito Santo in two phases, in 1991 and in 1992, the privatization of Banco Fonsecas & Burnay in 1991, of Banco Portugues do Atlantico through public offerings in 1992, 1994 and 1995 and of the Banco de Fomento e Exterior that occurred in 1994, 1996 and 1997. In the telecommunications sector, the five public offerings of Portugal Telecom from 1995 until 2000 privatized the public monopoly totally. In the electricity sector the privatization of Electricidade de Portugal (EDP) was the most significant.

4.4 CEE countries

In the **Czech Republic**, one of the most dynamic sectors to be privatized was the banking sector. Although the process started relatively late (at the end of the 1990s), most of the banks have by now been sold to foreign concerns. A characteristic of the privatization of the banking sector was that its restructuring required a huge amount of resources (about 15% of the GDP in 1997). In the energy sector, the sale of CEZ electricity and Transgas monopolies yielded high revenues (3.701,5 million US$). However, their monopolistic structure remained. The energy sector remains fully regulated by the state. Moreover, in 2005 the government sold 63% of the shares of Unipetrol to PKN Orlen from Poland. In the manufacturing sector, the privatization of Skoda (bought by the VW Group in 1989) was the most important one. The telecommunications sector was fully liberalized on 1 January 2002, following the

EU directives. In 2005, the state monopoly of Cesky Telecom was sold to Spanish Telefonica, yielding 3.455 million US$, which makes it the second largest privatization.

In **Hungary**, the Hungarian Electric Works (MVM) was split into three groups after the transition: production, distribution and sales. In the spring of 1993, the ÁVÜ sold about 48% of its capital. Two years later, ÁVÜ disposed of six electricity companies and six power stations. In 1990 started the restructuring of the gas and oil sectors. Five gas supplier firms were sold to European multinationals. In the transport sector, the government decided to keep the railways (MÁV Rt.) under 100% state ownership. Moreover, it was decided that the share of the state in the shipping company (MAHART) and in the main local and inter-city traffic companies should not be less than 50%-plus-one voting rights. A 25%, i.e. a minority share, was established for the national airway company (MALÉV), but at the end of the 1990s it was above 60%, as an attempt at merging was unsuccessful. In the telecommunications sector, MATÁV was privatized in the mid-1990s; it was bought by a consortium of Deutsche Telecom and Ameritech at an estimated 875 million US$. In the banking sector, the Hungarian government spent large sums in order to restructure the sector and bail out banks. Bank privatization was completed in 1998. However, the sale of bank and insurance companies did not yield significant amounts, while foreign investors captured the majority position through capital increases. Water-supply ownership also changed in the 1990s. Before the transformation, 28 public enterprises as well as 5 regional associations provided county and town water supply. The public water supply and sewage-disposal enterprises were transformed in two phases. In the first one, around 80 percent of the wealth of public utilities was given to municipalities. In the second phase, parts of the firms were privatized. Large municipality and town water supply and sewage-disposal associations were transferred to private ownership, mostly to foreign concerns.

In **Slovenia**, privatization occurred in all sectors of the economy. Concerning the telecommunications sector, 48% of Iskratel was sold through a private sale for 15,8 million US$ in 1992, while in 2001, a much larger privatization took place through the sale of SiMobil (75% of the total shares), yielding 138 million US$. In the financial sector, the most important privatizations were those of SKB Banka in 2001 (140 million US$) and of 39% of Nova Ljubjanska Banka (446,82 million US$). In the manufacturing sector, some of the most important privatizations took place, such as the private sale of Krka in 1996 (141,7 million US$) and of Sava Tires in 1997 (100 million US$).

The most significant event in the telecommunication sector in **Poland** was the privatization of the public monopoly TPSA. It started in 1998 with a public offering of 15% of the shares and was continued with a private sale of 35% in 2000. With subsequent public offerings from 2001 to 2003, a 23% of the shares was also sold. In heavy industry and mining, the biggest privatizations were the public offering of 45,56% and the secondary offer of 26% of PKN Orlen SA (oil company) for a total of US$ 1.223 bn, and the public offering of KGHM Polska Miedz SA, the world's sixth leading copper producer (47,8% for approximately US$ 200 million). In the banking sector sell-offs included: 52,1% of Bank Pekao S.A. for US$ 1.074 bn to a consortium formed by UniCredito Italiano and Allianz (Germany); 36,7% of Bank Przemyslowo-Handlowy SA to a consortium led by Germany's Bayerische Hypo und Vereinsbank for US$ 600 million; 80% of Bank Zachodni SA, sold to a group of Irish banks for US$ 583,132 million; and 30% of Bank Handlowy SA, sold for US$ 400 million via public offering to a group of shareholders made up of JP Morgan, Swede Bank and Zurich Insurance (for a total of 25,96% of the capital). In the area of insurance, finally, we point to the partial sale of the country's largest company, PZU, in 1999. At present, the company's group of shareholders is comprised of the state for 55%, the Dutch company Eureko BV for 31% and other shareholders making up the remaining 14%. In the field of utilities, among the most important privatizations were the sales of 55% of Elektrocieplownie Warszawskie via private bids for US$ 218 million and of Zaklady Energetyczne Patnow-Adamow-Konin SA, to a consortium headed by Elektrim.

The most important privatizations in **Romania** took place in the energy sector, since this sector represents the backbone of the Romanian economy. More specifically, in 2004 a sequence of sales of energy companies to foreign investors raised FDIs to 3,4 billion Euros. The privatizations of Petrom, the national petroleum company, which was sold to the Austrian group OMV yielded 1,5 billion Euros, corresponding to a record amount for an oil company in CEE. Other privatizations in the energy sector were the sale of Electrica Banat and Electrica Dobrogea to the Italian Enel in June 2004 (a total transaction of 111,8 million Euros) and the sale of Electrica Oltenia and Electrica Moldova to the Czech CEZ and the

German EON. In the telecommunication sector, the privatization of ROMTELECOM started in October 1998, when the Greek Telecommunication Company (OTE) purchased 35% of its shares. The predominance of ROMTELECOM monopoly in the telecommunication sector ended in 2003, when the market got fully liberalized. Moreover, the government has decided to privatise by the end of 2006 the last state owned telecom operator, SN Radiocomunicatii (Radiocom), and to restructure and privatize the postal services provider, Posta Romana. In the transportation sector, road transports conducted by buses and trucks are totally privatized. The state-owned railroads company had accumulated large deficits on account of overmanning, outdated equipment and historical non-payment by many loss-making state-owned enterprises. As a result, the government launched a railway reform program in 1996. The previous state railway company (SNCFR) that was initially separated into five companies, merged into three: infrastructure (CFR), freight (Marfa), and passenger (Calatori), with the state as the sole shareholder in all three. In the maritime and inland waterways transport sector, similar principles have been adopted where State owned bodies or entities are in charge of the port infrastructure (quays, breakwaters, landfill, etc.) and award concessions to private bodies for port operations. In the banking sector, Romania is a laggard compared to the rest CEE countries. In 2000, foreign investors owned less than half of Romanian banking assets and two of the three largest banks remained state-owned as late as 2003. By the end of June 2001, there were four banks with state-owned capital in the system, which owned together approximately 55% of the entire capital of the banks and approximately 46,4% of the entire assets.

4.5 Baltic states

By 1994, 90% of the wholesale and 94% of the retail sector had been privatized in **Estonia**. The privatization of public utilities started with that of Estonian Air; 66% of its share capital was bought by a Danish company in June 1996. In August 1996, part of Estonian Oil was sold to a USA investor. In 1997, a big shipping company was sold to a Norwegian investor and in 1998 parts of the energy sector were privatized. In February 1999 49% of Eesti Telekom shares were floated on the domestic and international stock exchanges.

In **Latvia**, the list includes some of the largest infrastructure companies, such as Latvian Gaze in the energy sector, sold to a consortium of German Ruhrgas and Russian Gazprom.

In **Lithuania**, the most important privatization to take place was that of the Lithuanian telecommunications company, Lietuvos Telekomas. The state received approximately 2 billion LTL from the sale of 60% of the shares of this company, which was sold to a Finnish-Swedish consortium formed by Sonera and Telia. By 1995, marking the first phase of the privatization programme, nearly 100% of the construction and services sectors, 91% of manufacturing and 31% of transport and public utilities had been privatized. In the 2000s, the greatest deal in the manufacturing sector was the sale of the Lithuanian Shipping Company (LISCO) and in the banking sector, that of the Lithuanian Savings Bank (LTB). The last state-owned bank, SC Lietuvos □emes Ukio Bankas, was privatized in March 2002, completing the privatization of the financial sector. Further, the Lithuanian government sold 34% of the natural gas distributor, Lietuvos Dujos, to a German consortium.

5. Forms of privatization (the "how" question)

Whereas the phases of privatization and the sectors being privatized across the EU over the post-war period bear strong similarities, the same cannot be said of the types of privatization employed. More particularly, these are more closely connected to the historical, social and political specificities of the different countries. Thus, where a developed stock market prevailed, IPOs were used; and where this was not so, direct sales were the main means of privatization; where opposition to privatization was especially strong, such as in the former socialist countries, a more "popular" form was adopted, e.g. through vouchers more or less widely distributed. Similarly, where a large workforce was adversely affected by privatization, Management Buy outs (MBOs) were the preferred means. More recently, new forms of privatization, such as the Private Public Partnerships, have appeared and are gaining ground, especially in the core Western European countries. Overall, as the policies and institutional characteristics of the member states of the EU converge, so do the different types of privatization.

5.1 Western Europe

In the **UK** we can distinguish three different patterns. First, the transfer of state ownership to private firms, which was the most common practice for large privatizations. Most of these were carried out through the stock market, either as Initial Public Offerings (IPO) with fixed prices or as public tenders. Forty per cent of all privatizations were made through the stock market. Another thirty per cent were trade sales, i.e. direct transfers from the government to a private buyer; twenty-five per cent were management or employee buy-outs and five per cent were carried out through private placements. Another form of privatization was the so-called de-mutualisation, which required the change of the legal status of the corporation, whereby the members of the mutual societies became shareholders of the new private stock company. Such changes were made possible and promoted by the deregulation of the financial services sector. Demutualisation triggered a process of rapid concentration, in which many former building societies were bought by other building societies or commercial banks. Finally, one very common practice is that of the PPPs and PFIs, especially since the late 1990s and early 2000s. Under this scheme, private investors finance investment in public services (schools, hospitals, prisons etc.), which are then leased back to the government. PPP are to be found in all services sectors, including transport (London Underground), defence, health, education, etc. By March 2006, over 700 PFI projects with a total value of 46 bn BP had been signed, of which over 500 have been completed, delivering amongst others "185 new or refurbished health facilities, 230 new and refurbished schools and 43 new transport projects." (HM Treasury 2006: 13). From 2006 to 2010, another 200 projects with a value of 26 bn BP are scheduled. In total, PFI account for 10-15% of investment in the public services.

In **West Germany**, the privatization of industrial corporations and infrastructure was mainly organised via Initial Public Offerings (IPOs) with a particular incentive for small shareholders, although banks also (above all Deutsche Bank), insurance companies and large industrial corporations participated in the process and acquired relevant minority stakes in the privatized companies. Privatization in East Germany was directed and supervised by the Federal Trust Agency (THA), which was established in order to oversee the transition. At the end of 1994, 7.853 firms out of 12.000 had been fully privatized. Of these, 1.600 were returned to their former owners, 261 were transferred to the municipalities and 2.700 were sold to former employees or managers (MBO). Moreover, 3.713 formerly state-owned firms were shut. At the end of 1994, the THA was dissolved. The cost of the transition was especially high, as the THA spent over DM 300 billion, while the total privatization revenues amounted to DM 60 billion only. At the same time, millions of jobs were lost. In the unified Germany, the focus of privatization is on the public services and it takes various forms. In many cases, the production and provision of public services have been delegated to private firms, which operate under state supervision and control. Moreover, another form of privatization is the outsourcing of various activities to the private sector, e.g. school canteens. More importantly, private contracts are the basis of all public private partnerships, which are advocated as a particularly efficient way of delivering public goods. According to a recent study, in 2005 there existed more than 300 PPP's with a planned investment volume of over € 7 billion. Of these projects, about 80% are carried out on the local level. Of all local projects, about 30% relate to schools, another 28% to sports and tourism, 19% to transport, 15% to public transport, 15% to public administration and 3% to culture.

In **France**, the most common forms of privatization have been direct sales and IPOs. Until 1995, the sale of the Societé Nationale Elf Alquitaine (for almost 4 billion US$) and that of the largest insurance group in France - Union des Assurances de Paris (UAP) for US$ 2,5 billion in 1994 - together with the two IPOs - Banque Nationale de Paris (BNP) for over 3 billion US$ in 1993 - were the most important privatizations. The two IPOs of France Telecom in 1997 and in 1998 yielded about 6 billion US$ each, through the sale of 24,80% and 10% of its capital, respectively.

In **Italy**, the wave of the 1990s privatizations started with an organizational restructuring: the overarching holdings of state owned IMI in the banking sector and IRI in the industrial sector were transformed from public entities into joint stock companies subject to corporate law. The management of the new joint stock companies was given significant autonomy to carry out the restructuring and privatization of the companies' subsidiaries and sub-holdings. There was a declared preference for public offerings on the basis of the 1994 law, so that the majority of large privatizations took this form. However, direct sales to private investors also occurred, and in some cases, which were considered to be of vital or strategic interest, a public floatation was combined with the formation of a group of core investors (mostly in the financial sector).

Privatization took place in two steps in the **Netherlands**. The first - and seemingly by far the most important one - was the transformation of a public entity under public law into a private corporation in the legal framework of a public limited liability firm or share company under corporate law. The second step was the sale of shares of this still state owned enterprise (SOE) to private owners, either to strategic investors or via IPOs on the stock exchange to a broader public. According to the literature the government has put most emphasis on the first step. Privatization in this sense is not so much change of ownership rather than liberation of the public entity from government control and tutelage. This trend was supported by Dutch corporate law which gives management a strong position and shareholder a relatively lower weight and influence.

5.2 Scandinavian countries

In **Sweden**, 13 out of the 61 privatizations that occurred during 1989-2005 were done through IPOs, in all other cases through private sale, either through tenders or by strategic investors. However, the revenues from IPOs largely exceeded those from private sales. More specifically, IPOs yielded 14.150 million US$, while private sales yielded only 6.332 million US$.

In **Denmark**, 5 out of 11 privatizations were done through IPOs and the rest through private sale. The revenues are equally distributed between the two types of privatization.

In **Finland**, the majority of revenues comes from IPOs, although more private sales took place between 1988 and 2005. In particular, 29 IPOs yielded 15.029 million US$, while 39 private sales yielded 6.463 million US$.

5.3 Southern Europe

In **Spain**, during the period 1985-1996, the state sold directly shares of public firms mainly through tender, whereas it resorted to IPOs only twice. In the period after 1996, the number of IPOs increased significantly. However, the prevalent method of privatization in Spain remained that of direct sales either to foreign or to domestic investors. Despite the fact that there were fewer IPOs, they yielded more than twice what direct sales did. More specifically, during the period 1986-2005, IPOs yielded 35.781 million US$, while direct sales yielded 15.691 US$ million.

In **Greece**, IPOs became a common practice in the late 1990s and early 2000s. Other methods of privatization included the direct sale through tender and calls to strategic investors. During the period 1991-2005, the total revenues from IPOs are estimated at 13.893 million US$, while the revenues from direct sales reached 3.143 million US$. More recently, privatization includes long-term operation contracts, which usually contain an option for their renewal on favorable terms. These are a form of PPPs, which were regulated on the national and local level by a law passed in 2005.

The IPOs also dominated every other privatization method in **Portugal**. Between 1989 and 2005, 42 IPOs yielded 21.498 million US$, by comparison to 46 direct sales of public firms to domestic and foreign investors, which yielded 6.456 million US$.

5.4 CEE countries

In the **Czech Republic**, a number of methods were followed for the transition of state-owned enterprises into private ownership. Open sale to small investors on the stock market, sale of majority ownership to strategic investors and the offering of coupons to place ownership in the hands of citizens. Variants of the three methods were also applied in Poland and Hungary. The first type played an important role in the disposal of small firms. The process was done through auctions, where the Czech citizens had certain privileges. The disadvantage of this method was that it was costly, so that the revenues obtained were used to cover the expenses. In contrast to the rest of the transition countries, the so-called coupon-privatization played a significant role in the Czech Republic. This solution mitigated the internal opposition against privatization, although it lacked transparency. The restitution of previously socialized property was also a vital part of the Czech process. More recently, the privatization of large concerns has been launched through direct sales to foreign investors e.g. by tender.

Also in **Hungary**, various privatization methods were implemented. During the "spontaneous" phase (1988-1990), public enterprises retained their status, although their property and financial assets were transferred to economic associations. The first step towards a more organised type of privatization was through a pre-privatization program, which resulted in the sale of 10.318 retail shops by mid-1999, yielding revenues of about 20,1 billion HUF. Another mass privatization initiative was the self-privatization programme, which related to approximately 700 firms. The programme accelerated the mass privatization of small and medium-sized enterprises, so that the government was able to concentrate on the privatization of large firms.

In **Slovenia**, there were conflicting notions between "a gradual, decentralized, and commercial" process and "a mass, centralized and distributive" one. The notion of "decentralization" implied that the existing self-managed enterprises would initiate the process of transforming themselves into private companies using various techniques. "Gradual" meant that privatization might be in total or partial, while "commercial" implied that there would be no free distribution of shares. On the other hand, there were supporters of a mass, centralized and distributive type of privatization. In this case, the notion of "centralization" related to the role of the government in carrying out the procedures. By "mass" and "distributive", it was meant that enterprises were to be immediately converted into joint stock companies through the "free distribution" of shares to citizens. In November 1992, the Slovenian government passed a law on the transformation of social ownership as a compromise between the two concepts of privatization. This law encompassed features of both approaches: decentralization and gradualism, as well as predominantly distribution through vouchers given to all citizens. Several methods of privatization were included. Accordingly, the transformation of social ownership is to be attained by (a) restitution to former owners; (b) debt-equity swaps; (c) transfer of shares to the Restitution Fund, the Pension Fund, and the Development Fund; (d) distribution of shares to employees; (e) management and worker buy-outs and (f) sales of company shares.

There were three basic conceptions of privatization in **Poland** in the late 1980s and the early 1990s. They can be categorized as a) commercial, b) common patronage and c) enfranchisement. The commercial method opted for the transfer of property using market methods exclusively, such a s the sale of public property to private investors. However this method faced a fundamental problem due to the lack of sufficient capital among the domestic investors, rendering the purchase of a substantial number of state-owned-enterprises impossible. Moreover, Poland was enlisted among the high-risk countries in terms of investments. Under these unfavorable circumstances, the permission for free transfer of public property into private hands proved to be an effective way of changing the property structure and reducing the public sector' participation. Thus, the method of common patronage, or also known a civic privatization, appeared in Poland. Another conception of public property privatization is the acquisition of property by the staff of the state owned enterprises. The method of enfranchisement was presented even before the privatization process had begun and the first step was to hand over the companies' ownership to the staff. The staff would be transformed thus in a general assembly and the staff board into the supervisory board of the newly formed company. Finally, in Poland the direct sales were preferred to public offerings because of the urgency of completing the transition. According to OECD (2003), "by the end of 2001 some 86% of companies privatized through an indirect (capital) method used trade sale, either through negotiations based on public invitation (77%) or through public tender (23%)".

The "Privatization Law" (15/1990) divided the companies in **Romania** into two groups; the commercial enterprises on the one hand and the so-called "Regii Autonome" on the other hand. The latter remained under the authority of the ministries in charge and were not included in any privatization program until 1997, when the legislation ordered the corporatization and subsequent privatization of the Regii. The privatization of commercial firms took place in two different methods. The 30% of shares of privatized firms were allocated to all adult Romanian citizens through tradable vouchers at a symbolic price. Moreover, five Private Ownership Funds (POFs) were established to carry out and supervise the voucher privatization. All Romanian citizens that participated in the voucher system received a free-of-charge certificate of ownership, which entitled them to control the POFs, and to receive dividends. However, de facto it was impossible to control the POFs. First, the ownership was totally dispersed and no institution was set up to provide information on their activity. The whole attempt was a failure since no dividends were distributed during the five years of existence of the POFs, and the board of directors was appointed by the Parliament and the Government. The remaining 70% of privatized firms' shares was granted to the State Ownership Fund (SOF), which was responsible for the restructuring and the privatization of these firms. The last method of privatization applied in Romania was the sale of the firms through auctions, direct sales and public offerings.

This method had not gained a significant share among privatization methods until 1996, but in the period 1996-2000 it became the dominant one. Another method of privatization was, as in most of the transition economies, the manager-employee buy-outs (MEBOs), which was very common for small and medium public enterprises. In this way, firms remained in the hands of those who were operating them, reducing thereby the cost of a change in ownership.

5.5 Baltic states

A privatization tool that was used extensively in the Baltic states was that of vouchers. In **Estonia**, they were mainly used in the housing sector (46% of all vouchers), which was almost completely privatized by 1993. Two types of vouchers were issued: capital vouchers (distributed to all residents during 1992-96 in proportion to the number of years worked) and compensation vouchers (distributed after 1994 to the owners of property that was nationalized in the early Soviet period, if its owners either did not want it back or it was not possible to return it to them). Another common practice in Estonia was that of management and employee buy-outs. Until 1995, about 30% of all firms were sold in this manner. Direct sales were also quite common, whereas IPOs were relatively rare by comparison to Western Europe. Finally, restitutions were an important type of privatization in Estonia. They involved the return of assets to their previous owners, where the prior acquisition of the property was deemed to be unjust.

Latvia also resorted to vouchers as a method of privatization, although it adopted a more restrictive approach towards issuing them, since their distribution relied on residency criteria and on whether the individual had enrolled in the Soviet Army. Latvia made vouchers freely tradable in 1994, as did Estonia. However, vouchers played a limited role by comparison to the other two countries. E.g., in 1998 about 38% of all vouchers had not been used. Direct sales and management and employee buy outs were also employed.

In **Lithuania**, vouchers were regarded as part of the campaign for independence. For this reason, the assignments were made only to Lithuanian residents. The distribution of vouchers depended on the age of the citizens. The difference in the use of vouchers in Lithuania by comparison to the other two Baltic states was that, before 1993, the vouchers could not be traded directly, although they could be used to acquire a shareholding in an investment fund, which could then be traded. What really played a key role in the speed of the Lithuanian process was the role of the investment funds. The absence of a clear-cut regulation of mass-privatization largely favoured the dominant position of these funds. The creation of investment stock corporations after 1994 led to the concentration of 33% of the privatized capital in these investment funds. In addition, about 5-6% of firms were privatized in Lithuania through management and employee buy-outs, while direct sales and auctions were preferred to restitutions.

6. Actors involved (the "who" question)

These include individual investors, institutional investors - foreign and domestic - and of course the state, which played a predominant role in all cases. As it might be expected, the share of institutional investors rose over time, while market concentration also increased in the sectors that were privatized.

6.1 Western Europe

In the **UK**, the process through IPOs increased the percentage of the share-owning adult population from 7% to 25%. However, the percentage of shares on the stock market held by private individuals never rose beyond 30% while it fell from 30% to 20% during the period of accelerated privatization (the 1980s), as a a large number of shareholders sold their shares rapidly at a profit. For example, the number of shareholders of British Airways at the time of its being privatised was 1.100.000, while it later fell to 347.897, implying that a large number of shares was absorbed by institutional investors. Also the process of de-mutualisation did not result in more stock companies competing against each other in the mortgage and life insurance sectors, but instead, in a higher degree of concentration.

In **Germany**, the buyers of the privatised public property can be distinguished in four categories: (1) strategic investors, such as banks and other financial institutions, domestic or foreign corporations, who tried to enhance their market position through the acquisition of privatized firms and domestic and foreign investors, who form large private groups on the regional and local level; (2) institutional investors, such as pension and investment funds and insurance companies; (3) private equity firms and (4) small shareholders who buy shares on the stock market. However, the share of the German adult population owning shares (directly or indirectly through investment funds) never rose above 20%, while it has considerably fallen in the past few years.

In **France**, the objective of increasing the number of small shareholders appeared to be successful. More specifically, in 1978 - when tax incentives were given to participate in public offerings - there were only 1,3 million shareholders (roughly 2% of the population), but in 1982 already 1,7 million, and in 1987, when the first wave of privatizations started, the number of direct stockholders increased rapidly to 6,2 million (roughly 10% of the population). In 1991, their number fell to 4,5 million and in 1993, when the second wave took place, the shareholder's number increased again to 5,7 million. Privatizations have also induced a growing ownership of French companies by international investors. For example, 58% of Total, 50% of Alcatel, 45% of BNP Paribas and 56% of Aventis have been bought by foreigners.

In **Italy**, the goal of privatization policy was to generate private companies with a widely dispersed ownership pattern, that would operate in a liberalized and competitive environment. However, although 47,3% of the privatized shares were held by domestic investors, foreign institutional investors also participated extensively. Moreover, the ownership structure of the privatized companies remained highly concentrated. In 2001, the largest shareholder held on average 42% of any quoted company. Industrial concentration increased significantly after privatization. Similarly, in the banking sector the degree of concentration is higher than before the process began, while the market share of the five largest private banks has reached 62,5%.

6.2 Southern Europe

In **Spain**, a large part of the privatized public property was acquired by domestic investors. The fact that the revenue from public offerings was high implies that at least at the beginning of the privatization process the public largely participated. However, the concentration of stocks in investment funds and large corporations was inevitable. Foreigners participated to a significant extent in the Spanish privatization experience, especially after 1996, when most of the restrictions discriminating them against the domestic investors were abolished.

The same is more or less true of **Portugal**. Initially, a "popular" capitalism concept was developed, with the participation of individuals in the capital of privatized firms through public offerings. However, after a while, large investment funds and multinational firms came to hold the majority of the shares.

The situation in **Greece** was not different to that of the Iberian countries. In the 1990s, public offerings provided the illusion that individuals participated in the newly privatized firms, rendering in this way more palatable the unpopular privatization policies. The private sales were mainly carried out to domestic investors, especially in the banking sector and in manufacturing. In the late 1990s, the stock market boom led to an ephemeral concentration of shares among individual investors. In the early 2000s, the Greek government changed its attitude toward foreigners and proceeded to dispose of assets in private sales, especially in the financial sector.

6.3 CEE countries

When privatization started in the **Czech Republic**, it was dominated by methods that favoured Czech investors against foreigners, such as coupons and restitutions. The Czech privatization methods, especially until the late 90s, did not attract foreign investors, so FDI flows were quite low. The fact, that household savings were quite high was conducive to the sale of assets to domestic buyers. However, as FDI flows doubled over the period 1998-2004, it would appear that foreigners increased their participation in the privatization process at a later stage.

In **Hungary**, domestic investors were deprived of resources that could allow them to compete against foreigners. For this reason, the government established certain mechanisms strengthening the participation of the Hungarian private sector, such as privatization credit, Manager/Employee Buy-Outs, the employee share scheme, etc. However, it was difficult to participate in large-scale privatizations. Owing to the market-based logic of privatization, foreigners have faced very little discrimination. Foreign investors have actively participated in the Hungarian privatization process. The greatest amount of investment has come from Germany (25%), reflecting Hungarian economic traditions. The United States is in second place (13%), followed by France (9%), Austria (5%), the Netherlands (4%), and Belgium (4%). One of the Hungarian peculiarities in the privatization process was the extensive sale of public utilities, including gas and electricity companies as well as water companies, to foreign investors. Similarly, Hungary was the first country to involve foreign investors in the privatization of domestic banks and the national telecommunication and oil companies.

After the first wave of privatization in **Slovenia**, significant stakes of privatized companies ended in the hands of two quasi-governmental funds and private investment funds. These were artificially created, privately and state-managed funds and in fact, they became the new majority owners of the economy. In general, Slovenia was considered hostile towards FDI and foreign participation in the privatization process, as it can be seen in relation to the size of such flows, which is smaller than those to the Czech Republic and much less than those to Hungary. For example, Slovenia has remained the only former socialist country with the majority of the banking sector in domestic ownership. For example, the ownership structure of the Slovenian listed companies differs from the ownership structure of listed companies in the EU countries, particularly in terms of the high share of households and low share of foreign owners.

The participation of foreign investors in the privatization process of **Poland** was significant, as it was in most of the CEE countries. This can be justified by the initial inability of domestic investors to compete with foreigners. FDIs have played a very important role in the privatization process, where the revenues from transactions concluded with foreign investors accounting for over 75% of the total value of capital privatization revenues for the period 1990-2000 according to OECD (2003).

After restructuring the public sector and the privatizing enterprises in **Romania**, the state continued to be an influential owner of many firms through the State Ownership Fund (SOF), a state holding company. At the beginning, the voucher privatization through the five Private Ownership Funds (POFs) spread the ownership of private firms among the citizens (through vouchers). But after a while, these vouchers were sold and the identity of the new owners is unknown. New private owners emerged as a consequence of MEBO, mass privatization and case-by-case sales. MEBOs, being most popular in the first years of transition (1993-95) gave space for insiders, and through mass privatization (1995-96) a large number of domestic individuals received tiny fractions of ownership. The last method, direct sale of shares was mostly used after the MPP (1996-2000). Both domestic and foreign investors obtained shares of state-owned companies. Thus, practically all possible owners are present in Romanian firms. As far as it concerns the purchases of privatised fims' shares from foreign investors, the FDIs data expose the trend. Overall FDI flows as a share of Romanian GDP represent 20,5%, a rather small figure compared to neighbouring countries. The evolution of FDI in Romania has been very slow in the first years of transition and it picked up only in 1997, when annual FDI inflows exceeded for the first time the 1 bn US$ mark. Romania registered a record of 2 bn US$ in FDI flows in 1998, with the privatization of ROMTELECOM subsequently decreasing at about 1 bn US$ in the following years. But recently, Romania ranks fourth among CEEs in terms of FDI, outperformed only by the Czech Republic (US$ 11 bn), Poland (US$ 7,7 bn) and Hungary (US$ 6,7 bn). The total volume of foreign direct investments attracted by Romania in 2005 and in the first half of 2006 amounts to US$ 6,388 bn according to World Investment Report 2006 of the United Nations Conference on Trade and Development (UNCTAD).

6.4 Baltic states

All three Baltic states favoured insiders during the privatization of small-scale industry phase. At the beginning of the privatization process, employees had the right to buy the enterprises at the initial price, which in most cases was below the market value of the assets. It is estimated that around 80% of the first wave of privatization - 450 small enterprises - was taken over by insiders in **Estonia**. In **Latvia**, employees who had worked for more than 5 years in the enterprise also had a pre-emptive right to buy at the initial price. In **Lithuania**, employees had the opportunity to buy a certain percentage of the shares (10% in 1991 and up to 50% in 1995) in the first round, before the remaining shares were sold through public offering in the later rounds. In Lithuania this system made it possible for employees to obtain a considerable part of the ownership, even in large enterprises with relatively high capital-intensity. In Latvia and Estonia, most advantages for insiders in the case of small privatizations were largely taken away in 1992. On the contrary in Lithuania, insiders retained considerable power after privatization, even though fewer formal advantages were awarded to employees. Foreign investors played a minor role in the privatization of the small enterprises in the Baltic States. Foreign capital gained increasing access during the stage of large privatizations. In Estonia, by the end of 1998, foreigners had taken over approximately one third of the total enterprise assets included in large privatizations. In Latvia the foreign share was 34% of all purchases over the period 1995-1997. Foreign involvement concentrated in the largest enterprises in manufacturing, energy, transport, telecommunications and finance. In Lithuania foreign capital played an important role in the privatization process after 1998.

7. The rationale of privatization (the "why" question)

Global pressures, as well as specifically European pressures had a part in the rationale of privatizations in the member states of the EU, not least of which was the preparation for the EMU on the basis of the Maastricht Treaty, which became prominent in the 1990s. In addition, the lagging productivity of state enterprises in certain cases, as well as the onset of the neo liberal ideology, provided further grounds for the growing intensity of privatizations. Lastly, in Eastern Europe privatization was an integral element of the effort to transform the economy into a capitalist system.

7.1 Western Europe

In the case of the **UK,** the privatization rationale contained the following elements: a) pressure from outside (IMF) b) lack of a convincing concept and performance of the public sector and c) neo liberal ideology as a broader agenda of rollback. As to the pressures from the IMF, it should be noted that the UK had to accept the condition of rejecting the state subsidies for public enterprises, in order to receive a loan from the IMF. The second element seems to have been especially important. There has never developed a culture of democratic participation in the public firms, which could result in a better management and working environment. This absence of a democratic culture at the enterprise level in addition to the absence of a clear definition of the role of public firms in strategic economic policy, led to the downgrading of the public sector. This weakness was exploited by neo liberalism in order to develop a campaign against the public sector, put forward by the Thatcher government. It should be noted that the UK privatizations of the 1980s and until the mid 1990s were neither due to pressure from the EU, nor to a fiscal type of pressure.

In **Germany**, the ideological hegemony of neo liberalism also was one of the main factors for the spread of privatization policies. Furthermore, the fiscal pressures played a dominant role in the privatizations of the current decade, on the federal, as well as on the regional and local level. The pressure on the local level is particularly hard, due to the German tax policy, which has drastically reduced revenues on the local level and forced cities and municipalities not only to severely cut expenditure and thus reduce the provision of public goods, but also to sell public assets and to outsource public services. Moreover, an additional factor is the seeking of profitable investment opportunities. The excess liquidity created by the redistribution in favour of the higher incomes needed to be absorbed by profitable investment. Privatizations provided such an outlet.

The same type of rationale is encountered in **France** and **Austria**.

All the aforementioned factors also hold for the **Italian** experience. It is worth noting however that the pressure from the European Union on Italy was particularly important in accelerating the privatization process, especially after the Maastricht Treat and the collapse of the Exchange Rate Mechanism in 1992.

In the **Netherlands**, the theoretical concept behind privatization was at the beginning rather naive, based on the belief that, firstly, liberalisation would lead to more competition and, secondly, more competition would lead to more welfare to the consumers and society. Unfavourable experience with first privatizations prompted - some of them were transformed from public to private monopolies (still in public ownership) and behaved accordingly - the development of conceptions of regulation as a means to safeguard the "public interest" (a concept which was only relatively late introduced into this debate) in privatised network industries, regardless of their ownership. Later on privatization was regularly accompanied - and in some cases preceded - by the establishment of regulatory authorities, with different degrees of power to oversee and/or intervene in the specific structure and behaviour of the privatised sector; such as the OPTA for postal and telecommunication services, as a regulatory body if its own, and the DTe for the energy sector as a chamber of the 1998 created competition authority NMA. Problems arise because of the specific division of tasks: the rule-making power remains with the parliament, the implementation is left to the regulatory authorities, and private corporations can always challenge the interpretation of the legal rules by the OPTA, so that cases have in the last instances to be resolved by the courts. To the extent that participations in liberalised infrastructures were sold to foreign competitors (e.g. EON or RWE in the energy sector) additional difficulties arise as long as there is no uniform European regulation.

7.2 Southern Europe

In the three countries of Southern Europe, **Spain**, **Portugal** and **Greece**, we encounter the same type of rationale as in Western Europe. However, in their case, privatization seemed to be more urgent, since these countries had accumulated large budget deficits, mostly the outcome of the nationalization of loss-making firms. Privatization took place at a different pace in each of these three countries, which was mainly the result of the political situation in each country.

7.3 CEE and Baltic countries

The transition economies of CEE, as well as the Baltic states, exhibited a similar rationale. The main reasons were:

* To establish a market economy based on private ownership, with stable property relations
* To reduce the role of the public sector in the economy and increase its revenues
* To enhance economic efficiency and competition
* To introduce new technologies and management practices that would raise productivity
* To promote the country's integration into the global economy

Annex, Table 1

Country	Local public transport (LPT), water & gas distribution	Electricity	Fixed-network telephony
AUSTRIA	Public ownership prevails. Services usually provided by firms owned by municipalities or provinces	Public ownership prevails particularly in the provinces. The main operator (Verbund) is majority-owned by the state (51%). Fully liberalized since Oct 2001	The state owns a 47.2% stake in Telekom Austria. There are other public investors active in the sector. Liberalized in 1998.
BELGIUM	Public ownership prevails except in gas, where the state owns nly a "golden share" in the dominant operator	Main operator is private (Electrabel, part of the Suez group). The second largest (SPE) is public. Full liberalization since July 2003 in the Flanders region, 2005 in Wallonia and 2007 in Brussels.	The state owns 50.6% of the main operator. Belgacom is a public sector company regulated by specific legislative provisions. Liberalized in 1996
CYPRUS	LPT: very limited public ownership, only private companies. Water: 100%. No gas distribution	The state owns 100% of the Electricity Authority of Cyprus (AHK), a monopoly.	The state owns 100% of CYTA. The market was liberalized in 2003. Only small companies have emerged so far. CYTA itself may establish private law subsidiaries.
DENMARK	LPT: 10% public ownership. Water & gas: 100%	Mixed ownership prevails in regional companies (municipalities, consumer cooperatives and private undertakings). One of the main players is the state-owned energy company DONG, whose privatization is being debated. Sector reform started in 1999; liberalization still under way	There is no residual public ownership on TDC. Fully liberalized in mid-1990s.
FINLAND	LPT: 50% public ownership. Water and gas 100%.	The state owns 59% of Fortum, the leading energy company. Local authorities are also important players in generation and sale. Liberalization began in 1995	The state owns 13.7% of TeliaSonera, the result of the merger of Telia and Sonera, the former national fixed-network operator in 2002. Privatization and liberalization in late 1990s
FRANCE	Public ownership prevails in LPT and gas; minority stakes in water	The state fully owns Electricite de France (EDG). Liberalization started in 1998	The state owns 43% of France Telecom. Liberalized in 1998 and in 2002 for local calls
GERMANY	Public ownership prevails	Public ownership prevails. In three of the four leading operators (RWE, EON & EnBW), local authorities hold controlling stakes, with other industrial or financial investors. The fourth is a subsidiary of the Swedish state electricity company (Vattenfall Europe). Liberalized in 1998	The federal state owns 23% of Deutsche Telekom. Liberalized in 1998

Table 1 continued

GREECE	LPT: 100% public ownership. Water: 61%; Gas: 65%	The state owns 51% of the Public Power Corporation (DEI). Sector reform started in 1999, but DEI remains the only electricity provider.	The state owns 34% of Hellenic Telecommunications Organisation (OT). Liberalization started in late 1990s
HUNGARY	LPT: 90% public ownership; Water: 90%; Gas: 1%	Generation 40% public ownership; distribution 20%. Major privatizations in 1995-96. The state still owns the main operator, the Hungarian Power Company (MVM)	The state owns a residual stake of 1% in MATAV. Privatization and liberalization occurred in 1993-95
IRELAND	LPT: parts of some networks can be franchised to private operators, through CIE company is fully state owned. Water and gas: publicly owned	The Electricity Supply Board (ESB) is fully owned by the state. Liberalization started in late 1990s	Eircom was fully privatized in 1999. Liberalization started in late 1990s
ITALY	Public ownership prevails. The main operators are municipal companies.	The state owns some 43% of Enel. Liberalization started in 1996. Since July 2004, the market is fully liberalized for non-household consumers	There is no residual public ownership in Tlecom Italia. Liberalization was completed in the early 2000s
MALTA	LPT: Has traditionally been privately run. Gas (Enemalta): 100% public ownership. Water: 100%	Enemalta is fully state-owned. Monopoly.	The state has a 60% stake in Maltacom. Monopoly.
NETHERLANDS	LPT: 80% public ownership. Water: 100%. Gas: 50%	The overall level of public ownership is around 80%. The three main operators Essent, Nuon and Eneco are fully owned by local authorities. Liberalization started in late 1990s.	Public ownership in KPN is 14.2%. The government also holds a 'special share', with specific entitlements attached. Liberalization started in 1994
NORWAY	LPT: mainly private. Water: 90% public ownership. No gas.	Generation 90% public ownership. Distribution 100%. Liberalization started in the early 1990s	The state owns 51% of Telenor. The sector has been liberalized since the early 1990s
POLAND	LPT: 80% public ownership. Water: significant public ownership (private operators in several cities). Gas: 100%	The main energy producers (BOT and PKE) are publicly owned. Other important energy companies have been privatized. Public ownership still prevails. Liberalization & privatization started in the second half of the 1990s	The state still holds some 4% of Telekomunicacja Polska (TP). Privatization occurred over 1992-2000. Liberalization started in 1990s and was completed in 2000s
SLOVAKIA	LPT: 100% public ownership. Water: 59%. Gas: 51%	The state owns 100% of the dominant generation company, Slovense elekrarne, which is awaiting privatization. There are three regional monopolies for distribution, which are state majority joint ventures with EON, RWE and EDF. Liberalization has started	The state owns 49% of Slovak Telecom. Liberalized in the second half of the 1990s

Table 1 continued

SLOVENIA	LPT: 100% public ownership. Water: public, private and mixed ownership in equal shares. Gas: minority public ownership	Generation 90% public ownership; distribution 75%. Liberalization started in late 1990s	The state owns 63% of Telekom Slovenije. Liberalization started by legislation in 2001
SPAIN	LPT: public ownership prevails. Gas 0%. Water 100%	The state holds a 3% stake in Endesa. Sector reform started in 1994 and liberalization in 1997. Fully liberalized in 2003	There is no residual public ownership in Telefonica. Liberalized.
SWEDEN	Public ownership is significant, especially of municipalities. Public firms usually compete with private undertakings	The state fully owns Vattenfall. Liberalization started in early 1990s and was completed in 1996	The state owns 45.3% of Teleia Sonera. Liberalization started in early 1990s
UK	Private ownership	Private ownership largely prevails. Public ownership of six nuclear stations (due to close by 2010) and one hydroelectric station. Electricity distribution and generation were privatized in 1990-92. Liberalization completed in 1998	Private ownership. British Telecom was privatized in 1985. Liberlaization was completed by 1991

Table 2: State participation in the Netherlands

Name	Estab-lished	Legal form	Share 1997	Share 2001	Share 2005
Traded on stock exchange					
TNT Post Groep	1997	NV	100	34,9	9,6
Koninklijke KPN	1989	VN	44,3	34,7	14,2
PinkRoccade	1990	NV	100	28,4	25,0
KLM	1920	NV	25,0	14,1	14,1
Koninklijke Hoogovens	1918	NV	11,5	-	-
Alpinvest Holding	1991	NV	30,3	-	-
Financial institutions					
De Nederlandsche Bank	1864	NV	100	100	100
Bank Nederlandse Gemeenten	1914	NV	50,0	50,0	50,0
Nederlandse Waterschapsbank	1954	1NV	17,2	17,2	17,2
Financierungs- Mij Ontwikkelingslanden	1970	NV	51,0	51,0	51,0
Kantoor voor Staatsobligaties	1973	BV	100,	100,0	100,0
MTS Amsterdam	1999	NV	-	5,0	5,0
NIB Capital Bank	1945	NV	50,2	14,7	14,7
Energy					
Energie Beheer Nederland	1973	BV	100	100	100
Nederlandse Gasunie	1963	NV	10,0	10,0	10,0
Ultra Centrifuge Nederland	1969	NV	98,9	98,9	?
Nederlandse Pijpleiding Maatschappij	1966	BV	50,0	50,0	100,0
Tennet	1998	BV	-	100,0	100,0
Saranne	2001	BV	-	100,0	100,0
Transport and infrastructure					
Nederlandse Spoorwegen	1937	NV	100	100	100
VSN NV (Connexxion)	1994	NV	-	100	100
Luchthaven Schiphol	1958	NV	75,8	75,8	100
Luchthaven Maastricht	1956	NV	34,8	34,8	100
Groningen Airport Eelde	156	NV	80,0	80,0	100
Luchtvaartterrein Texel	1956	NV	65,3	65,3	65,3
Haven van Vlissingen	1934	NV	35,5	-	-
Westerscheldetunnel	1998	NV	-	95,4	95,4
Others					
Koninklijke Nederlandse Munt	1994	NV	100	100	100
Nederlandse Inkoop Centrum	1990	NV	100	100	100
NV SDU	1988	NV	100	100	100
Centrale Organisatie voor Radio-actief Afval	1982	NV	10,0	10,0	100
Thales Nederland	1993	BV	1,00	1,00	-
Eurometaal Holding	1993	NV	33,3	13,2	-
Vuil Afvoer Maatschapij	1929	NV	99,9	-	-
AVR Chemie	1984	BV	30,0	30,0	30,0
DLV Groep	1993	NV	-	82,5	82,5
Twinning Holding	1998	BV	-	100	-
NOB Holding	1999	NV	-	100	100
Nederlandse Omroepzendermaatschapij	1935	NV	59,0	59,0	59,0
Holland Weer Services BV	1999	BV	-	100	-
Holland Metrolog	1995	NV	100	-	-

Source: van Damme 2004: 54/55, Privatization Barometer, Atlas Netherlands

NV: naamloze vennootschap = joint stock company

BV: besloten vennootschap= limited company

Explanations to Table 2:

1. Most of the companies with state participation traded on the stock exchanges were established relatively recently in the late 1980s and in the 1990s. Of course public postal services and telephone were much older, but they were corporatised in the 1990s and then subsequently the state participation was reduced but often not completely abandoned.

2. Things are different for the state-owned financial institutions: they were established much earlier (beginning with the Central bank founded in 1864), have been working along commercial lines and the participation of the state remained unchanged (although the Postbank, which belonged to the PTT complex, was corporatised in 1986 and sold to ING in 1990).

3. Basically the same is true for large parts of the transport sector. The central undertakings were founded in the 1930s (railways) or in the 1950s (airports) and state participation has remained unchanged or even (as in the case of Schiphol) risen. The set-up of Connexxion is the result of an outsourcing from NS, the central railway company.

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2) Hayes 2006:1

3) Megginson et al. 2005

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