



5.8 State-owned enterprises

	Economic activity		Investment		Credit		Net financial flows from government		Overall balance before transfers		Employment		Proceeds from privatization
	% of GDP		% of gross domestic investment		% of gross domestic credit		% of GDP		% of GDP		% of total		\$ millions
	1985-90	1990-97	1985-90	1990-97	1985-90	1990-97	1985-90	1990-97	1985-90	1990-97	1985-90	1990-97	1990-98
Albania	..	..	..	..	..	..	..	..	..	..	..	..	28.5
Algeria	..	..	..	..	..	33.5	..	..	..	..	7.2 ^a	..	9.3
Angola	..	..	..	..	..	..	..	..	..	..	..	..	6.2
Argentina	2.7	1.3	9.4	3.1	..	..	..	..	-0.6	-0.1	2.7	..	28,431.5
Armenia	..	..	..	..	..	..	..	..	..	..	..	..	212.1
Australia	..	..	15.0 ^b	12.0 ^b	..	..	..	..	..	..	..	..	..
Austria	..	..	..	..	..	..	..	..	..	..	..	..	..
Azerbaijan	..	..	..	..	..	59.3	..	..	..	..	..	..	15.8
Bangladesh ^c	2.3	2.5	16.8	11.9	18.5	14.7	..	-0.5	-2.9	-2.6	..	..	59.6
Belarus	..	..	..	..	..	..	..	..	..	..	..	..	10.8
Belgium	2.8 ^a	..	7.8	..	..	..	..	..	..	..	..	..	..
Benin	..	..	21.8	..	..	..	..	..	..	..	..	..	39.0
Bolivia	13.4 ^a	11.4	21.1	18.0	6.4	9.9	-7.3 ^a	-6.9	7.6 ^a	6.2	2.3 ^a	..	894.1
Bosnia and Herzegovina	..	..	..	..	..	..	..	..	..	..	..	..	..
Botswana	5.6 ^a	5.5 ^a	16.2 ^a	12.4 ^a	9.8	7.3	-0.3 ^a	-0.3 ^a	-2.5 ^a	-2.7 ^a	6.3 ^a	5.8 ^a	..
Brazil	7.7	7.4	13.1	8.2	18.4	7.7	-0.6 ^b	-2.2	0.9 ^b	3.1	..	..	66,727.9
Bulgaria	..	..	..	..	..	49.1	..	..	..	..	..	..	1,446.7
Burkina Faso	..	..	..	..	..	..	..	..	..	..	..	..	6.3
Burundi	7.3	..	41.1	..	19.3	16.4	2.7	..	..	..	32.1 ^{b,d}	..	4.2
Cambodia	..	..	..	..	..	..	..	..	..	..	..	..	..
Cameroon	18.0	5.4	..	6.8	..	9.8	1.3	-0.6	..	1.0	..	..	113.1
Canada	..	..	..	..	..	..	..	..	..	..	..	..	..
Central African Republic	4.1	..	..	..	..	10.8	..	..	-3.1	..	..	..	..
Chad	..	..	..	..	..	23.7	..	..	..	..	..	..	..
Chile	14.4	8.3	15.5	6.7	1.8	1.9	-8.6 ^e	-4.9 ^e	8.8 ^e	4.9 ^e	..	..	1,085.2
China ^f	..	..	37.0	27.6	..	..	..	..	..	..	7.7	6.8	17,467.0
Hong Kong, China	..	..	..	..	..	..	..	..	..	..	..	..	..
Colombia	7.0	..	13.5	..	5.0	3.2	-0.6	..	0.8	..	..	..	5,979.5
Congo, Dem. Rep.	..	..	18.8	..	0.8	1.6	..	..	..	..	..	..	..
Congo, Rep.	15.1 ^a	..	..	..	..	10.2	..	..	..	..	..	..	..
Costa Rica	8.1	..	8.5	11.5	30.5	20.0	-1.9	..	1.9	..	..	..	50.8
Côte d'Ivoire	..	..	21.4 ^b	..	..	..	..	..	..	..	..	..	570.1
Croatia	..	..	..	..	..	..	..	..	..	..	..	..	468.3
Cuba	..	..	..	..	..	..	..	..	..	..	..	..	706.0
Czech Republic	..	..	..	..	..	..	..	..	..	..	..	..	4,458.1
Denmark	..	..	..	..	..	..	..	..	..	..	..	..	..
Dominican Republic	..	..	11.6 ^b	..	15.6	12.9	..	..	..	..	..	..	..
Ecuador	10.2	..	12.7	13.9	0.0	0.4	0.1	..	-1.1	..	..	..	169.3
Egypt, Arab Rep.	..	..	65.5	..	21.5	19.7	-0.7	..	-2.6	..	13.8	..	2,048.9
El Salvador	1.8 ^a	..	7.1	..	4.2	1.4	0.1 ^a	..	-0.3 ^a	..	..	..	902.1
Eritrea	..	..	..	..	..	..	..	..	..	..	..	..	2.0
Estonia	..	..	..	..	..	33.1	..	..	..	..	..	..	510.3
Ethiopia	..	..	..	..	..	..	..	..	..	..	..	..	172.0
Finland	..	..	..	..	..	..	..	..	..	..	..	..	..
France	11.2	..	..	..	..	..	..	..	..	..	..	..	..
Gabon	..	..	..	..	..	4.1	..	..	..	..	25.1	..	..
Gambia, The	3.8	..	..	..	..	..	2.9 ^a	..	..	..	..	..	..
Georgia	..	..	..	..	..	..	..	..	..	..	..	..	..
Germany	..	..	..	..	..	..	..	..	..	..	..	..	..
Ghana	8.5	..	18.5	..	12.4	10.1	0.4 ^a	..	0.1	..	34.3 ^d	..	885.4
Greece	11.5	..	20.2	..	..	..	..	..	..	..	..	..	..
Guatemala	1.9	2.0	6.7	4.8	0.2	0.1	0.2 ^a	0.1	0.1	0.5	1,250.0
Guinea	0.9	45.0
Guinea-Bissau	0.5
Haiti	11.3	..	7.7	5.9
Honduras	5.5	..	15.1	0.0	..	-0.9	74.1



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	% of GDP		% of gross domestic investment		% of gross domestic credit		% of GDP		% of GDP		% of total		\$ millions
	1985-90	1990-97	1985-90	1990-97	1985-90	1990-97	1985-90	1990-97	1985-90	1990-97	1985-90	1990-97	1990-98
Hungary	..	..	..	..	..	..	..	..	..	..	..	..	12,634.8
India	13.4	13.4	35.4	32.4	..	..	-0.3 ^g	-0.9 ^g	-2.5 ^g	-1.2 ^g	8.5 ^g	8.1 ^g	7,125.3
Indonesia	14.5	..	8.9	15.7	..	3.6	1.3	..	-0.5	-2.6	0.9	1.2	5,284.9
Iran, Islamic Rep.	..	..	..	..	..	..	..	..	..	..	..	..	..
Iraq	..	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	..	..	..	..	..	..	..	..	..	..	..	..	..
Israel	..	..	..	..	..	..	..	..	..	..	..	..	..
Italy	..	..	12.9	..	..	..	..	..	..	..	..	..	..
Jamaica	..	..	23.6	..	3.1	2.1	..	..	-1.4	..	..	..	385.5
Japan	..	..	5.8	6.5	3.0	2.4	..	..	..	..	..	..	..
Jordan	..	..	..	..	9.9	8.3	..	..	..	..	..	..	63.8
Kazakhstan	..	..	..	..	..	..	..	..	..	..	..	..	6,375.9
Kenya	11.6	..	24.6	..	5.6	4.5	0.2	..	..	..	7.9	7.7	256.7
Korea, Dem. Rep.	..	..	..	..	..	..	..	..	..	..	..	..	..
Korea, Rep.	10.3	..	14.3	..	..	..	-0.2	..	0.7	..	1.9	..	..
Kuwait	..	..	..	..	..	..	..	..	..	..	..	..	..
Kyrgyz Republic	..	..	..	..	..	..	..	..	..	..	..	..	139.5
Lao PDR	..	..	..	..	..	42.5	..	..	..	..	..	..	32.0
Latvia	..	..	..	..	..	..	..	..	..	..	..	..	490.9
Lebanon	..	..	..	..	..	..	..	..	..	..	..	..	..
Lesotho	..	..	..	..	..	..	..	..	..	..	..	..	..
Libya	..	..	..	..	..	..	..	..	..	..	..	..	..
Lithuania	..	..	..	..	..	..	..	..	..	..	..	..	1,482.3
Macedonia, FYR	..	..	..	..	..	..	..	..	..	..	..	..	621.3
Madagascar	..	..	..	..	..	..	..	..	..	..	..	..	..
Malawi	4.3 ^a	..	9.2	..	13.9	10.9	0.8 ^a	..	-1.2 ^a	..	..	..	13.9
Malaysia ^h	..	..	..	25.7	..	0.0	..	..	..	-1.2	..	..	10,029.6
Mali	..	..	..	..	..	..	..	..	..	..	..	..	21.9
Mauritania	..	..	19.3	..	..	0.1	..	..	..	..	..	..	1.1
Mauritius	1.9	..	..	..	..	..	-0.3	..	..	..	..	..	..
Mexico ⁱ	6.7	4.9	14.4	10.3	1.6	0.7	-2.4	-3.1	2.4	3.0	3.5	2.1	28,302.0
Moldova	..	..	..	..	..	36.8	..	..	..	..	..	..	1.6
Mongolia	..	..	..	..	..	43.5	..	..	..	..	..	..	..
Morocco	16.8 ^b	..	19.3	..	..	..	0.0 ^a	..	..	..	..	..	1,938.9
Mozambique	..	..	..	..	8.9	7.5	..	..	..	..	..	..	138.2
Myanmar	..	..	37.1 ^b	..	116.8	33.0	..	..	..	..	..	..	..
Namibia	..	..	11.9	..	..	1.3	2.5 ^a	..	-1.0	..	..	..	..
Nepal	..	..	50.0	..	8.5	4.8	..	..	..	..	..	..	15.1
Netherlands	..	..	..	..	..	..	..	..	..	..	..	..	..
New Zealand	..	..	..	..	..	..	..	..	..	..	..	..	..
Nicaragua	..	..	..	..	33.1	30.4	..	..	..	..	..	..	130.3
Niger	5.1	..	..	..	..	..	..	..	-0.1	..	..	..	..
Nigeria	..	..	..	..	..	0.8	..	..	..	..	..	..	730.2
Norway	..	..	25.8 ^b	..	2.3	1.5	..	..	..	..	..	..	..
Oman	..	..	..	..	1.2	1.0	..	..	..	..	..	..	60.1
Pakistan	..	..	28.8	28.2	..	..	..	..	..	..	..	..	1,992.3
Panama	7.6	7.3	9.7	4.6	..	..	-0.8	-2.0	2.1	3.4	..	..	1,125.6
Papua New Guinea	..	..	7.8	..	..	..	..	..	..	..	..	..	223.6
Paraguay	4.8	4.6	11.2	5.5	16.1	13.5	0.2	-0.4	-2.0	1.1	..	..	42.0
Peru	6.4	5.1	10.7	4.5	..	..	-3.0	-3.2	1.5	2.9	2.5	..	7,848.4
Philippines	2.3	2.2	8.4	9.9	9.0	6.0	..	..	-2.2	-3.7	0.8	..	3,730.0
Poland	..	..	..	..	78.2	49.3	..	..	..	..	..	..	8,281.6
Portugal	15.1	..	16.6
Puerto Rico
Romania	..	63.0 ^j	..	72.9 ^j	..	70.4	1,772.7
Russian Federation	1,910.6



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	% of GDP		% of gross domestic investment		% of gross domestic credit		% of GDP		% of GDP		% of total		\$ millions
	1985-90	1990-97	1985-90	1990-97	1985-90	1990-97	1985-90	1990-97	1985-90	1990-97	1985-90	1990-97	1990-98
Rwanda	..	..	..	..	..	..	0.4	..	1.0	..	..	..	..
Saudi Arabia	..	..	..	..	..	14.7	..	..	..	..	..	..	..
Senegal	6.9	..	28.2	..	..	..	4.5	..	-1.0	..	20.4 ^d	..	341.7
Sierra Leone	..	..	..	..	0.4	0.2	0.1 ^b	..	..	..	..	..	1.6
Singapore	..	..	..	..	..	..	..	..	..	..	..	..	..
Slovak Republic	..	..	..	..	..	..	..	..	..	..	..	..	1,979.4
Slovenia	..	..	..	..	..	..	..	..	..	..	..	..	521.1
South Africa	14.9	..	16.5	..	..	..	..	..	..	..	..	..	2,729.2
Spain	..	..	..	..	..	..	..	..	..	..	..	..	..
Sri Lanka	..	..	26.8	..	..	..	2.8	1.4	..	..	..	12.4	803.9
Sudan	..	..	..	..	18.4	10.0	..	..	..	..	..	..	..
Sweden	..	..	10.3	8.7	..	..	..	..	..	..	..	..	..
Switzerland	..	..	..	..	..	..	..	..	..	..	..	..	..
Syrian Arab Republic	..	..	..	..	..	..	..	..	..	..	..	..	..
Tajikistan	..	..	..	..	..	..	..	..	..	..	..	..	..
Tanzania	9.0	8.6	46.0	22.9	..	..	..	..	-7.4	..	21.4	..	251.6
Thailand	..	..	11.5	10.0	1.7	1.9	-0.3	-0.4	..	..	1.0 ^b	..	1,642.0
Togo	..	..	10.7	..	..	..	1.6	..	..	..	..	..	38.1
Trinidad and Tobago	9.1 ^a	..	16.4	..	10.8	8.7	0.0	..	0.7 ^a	..	..	..	276.2
Tunisia	..	..	31.0	..	..	..	7.6	..	..	..	..	..	514.6
Turkey	6.5	5.0	27.1	13.8	6.4	6.0	1.6	0.8	-3.2	-5.5	3.7	2.9	4,616.4
Turkmenistan	..	..	..	..	..	..	..	..	..	..	..	..	..
Uganda	..	..	..	..	..	..	..	..	..	..	..	..	166.3
Ukraine	..	..	..	..	..	55.9	..	..	..	..	..	..	31.5
United Arab Emirates	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	3.6	2.8	6.4 ^b	4.6	..	..	..	..	..	..	..	..	..
United States	..	..	3.9	4.0	..	..	..	..	..	..	..	..	..
Uruguay	5.0	..	14.2	..	9.5	12.0	-3.2	..	3.3	..	..	..	17.0
Uzbekistan	..	..	..	..	..	..	..	..	..	..	..	..	212.0
Venezuela, RB	22.3	..	50.9	..	0.7	3.3	-11.1	..	9.3	..	..	..	6,026.5
Vietnam	..	..	..	..	..	44.4	..	..	..	..	..	..	7.6
West Bank and Gaza	..	..	..	..	..	..	..	..	..	..	..	..	..
Yemen, Rep.	..	..	..	..	..	3.0	..	..	..	..	..	..	..
Yugoslavia, FR (Serb./Mont.)	..	..	..	..	..	..	..	..	..	..	..	..	921.7
Zambia	32.2	..	..	..	10.7	6.1	..	..	..	..	..	..	826.0
Zimbabwe	8.6	9.2	..	..	33.8	15.8	..	..	..	..	..	..	197.3

Note: Data are averages for the period shown except for proceeds from privatization, for which the data refer to the total for the period.

a. Selected major state-owned enterprises only. b. Includes financial state-owned enterprises. c. Data for 1985-90 refer to the 10 largest state-owned enterprises. Data for 1990-97 refer to 210 enterprises. d. As a percentage of formal sector employment. e. Nonoperating revenue before 1989 is split between current transfers and grants. All nonoperating revenue from 1989 onward is classified as current transfers. f. Data refer to industrial state-owned enterprises. g. Data refer to central public enterprises only. h. Data prior to 1991 have not been shown because of lack of consistency. i. Data on economic activity and employment refer to nonfinancial enterprises in both the controlled and the noncontrolled sectors. Data on investment through 1986 refer to nonfinancial enterprises in both the controlled and the noncontrolled sectors. Data from 1987 onward include financial enterprises in the noncontrolled sector. Data on overall balances before transfers and net financial flows from government refer only to nonfinancial enterprises in the controlled sector. j. Data refer to state-owned and majority state-owned enterprises.



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About the data

State-owned enterprises are government-owned or -controlled economic entities that generate most of their revenue by selling goods and services. This definition encompasses commercial enterprises directly operated by a government department and those in which the government holds a majority of shares directly or indirectly through other state enterprises. It also includes enterprises in which the state holds a minority of shares if the distribution of the remaining shares leaves the government with effective control. It excludes public sector activity—such as education, health services, and road construction and maintenance—that is financed in other ways, usually from the government's general revenue. Because financial enterprises are of a different nature, they have generally been excluded from the data on state enterprises.

The definition of a state enterprise varies among countries and within countries over time. In exceptional cases governments include noncommercial activities, such as agricultural research institutes, in their data on state enterprises. But more often they omit activities that clearly are state enterprises. The most common omissions occur when governments use a narrow definition of state enterprises—for example, by excluding those with a particular legal form (such as departmental enterprises), those owned by local governments (typically utilities), or those considered unimportant in terms of size or need for fiscal resources. Accordingly, data on state enterprises tend to underestimate their relative importance in the economy.

Although attempts have been made to correct for differences in definitions and coverage across countries, inconsistencies remain. These cases are detailed in the country notes in the World Bank's *Bureaucrats in Business* (1995a). The state enterprises covered in the table are limited to central or federal government enterprises because data on enterprises owned by local governments are extremely limited. Another weakness in the data is that many state enterprises do not follow generally accepted accounting principles, so accounting rules can vary by country and enterprise. In many cases small state enterprises are not audited by internationally accredited accounting firms, so there may be no independent check on their record keeping and reporting.

To aid in assessing the importance of government ownership, the table includes three measures of the economic size of state enterprises: share in economic activity, share in investment, and share in employment. Indicators that measure the performance of state enterprises and their effect on the macroeconomy and growth include credit, net financial flows from government, and overall balance before transfers. These indicators do not, how-

ever, allow analysis of the relative efficiency of state enterprises and private firms because not enough data are available on ownership by economic sector. The data in the table are period averages for 1985–90 and 1990–97. Updating of data has necessitated revisions to data for earlier years to ensure consistency over the time series.

Data on proceeds from privatization are included in the table because privatization—the transfer of productive assets from the public to the private sector—has been one of the defining economic changes of the past two decades. Direct sales are the most common method of privatization, accounting for more than half of privatization revenues in 1998. Direct sales enable governments to attract strategic investors who can transfer capital, technology, and managerial know-how to newly privatized enterprises. Share issues in domestic and international capital markets are the second most common method, accounting for most of the remaining sales.

Large sales proceeds do not necessarily imply major changes in the control of stock of state-owned enterprises. For example, selling equity may not change effective control. It may only generate revenue, with no gains in efficiency. A preliminary analysis suggests that the increase in proceeds from privatization in recent years is due to a larger number of countries privatizing a few firms rather than to a radical restructuring of ownership in many countries (Haggarty and Shirley 1997).

The data on privatization proceeds are from various sources, including reports from official privatization agencies and World Bank estimates, supplemented by such publications as the *Financial Times*, *Privatization International*, *Institutional Investor*, *International Financing Review*, *Latin Finance*, *Project Finance*, the *Middle East Economic Digest*, and *Euromoney*. All data are in U.S. dollars. Estimates of privatization proceeds include data on the largest transactions, but in some cases total privatization revenues may be underreported because of lack of data.

Definitions

- **Economic activity** is the value added by state enterprises, estimated as their sales revenue minus the cost of their intermediate inputs, or as the sum of their operating surplus (balance) and wage payments.
- **Investment** refers to fixed capital formation by state enterprises.
- **Credit** is credit extended to state enterprises by domestic financial institutions.
- **Net financial flows from government** are calculated as the difference between total financial flows from the government to state enterprises (including government loans, equity, and subsidies) and total flows from state enterprises to the government (including dividends and taxes). Taxes paid by state enterprises are treated as a transfer of financial resources to the government.
- **Overall balance before transfers** is the sum of net operating and net nonoperating revenues minus net capital expenditure. Net operating revenues (or operating surplus or balance) refer to gross operating profits, or operating revenues, minus the costs of intermediate inputs, wages, factor rentals, and depreciation.
- **Employment** for many countries refers to the share of full-time state enterprise employees in total employment, but for some it refers to employment only in selected state enterprises, including financial ones, and for others it refers to employment as a share of total formal sector employment. Thus the data on state enterprise employment are not directly comparable.
- **Proceeds from privatization** include all sales of public assets to private entities through public offers, direct sales, management and employee buyouts, concessions or licensing agreements, and joint ventures.

Data sources

The data on state enterprises were collected from World Bank member country central banks, finance ministries, enterprises, and World Bank and International Monetary Fund reports. These data were then collated into a database for the World Bank Policy Research Report *Bureaucrats in Business: The Economics and Politics of Government Ownership* (1995a). Updates to this database have been made for several economies. The data on privatization are from the World Bank's Privatization Database and are available on the *Global Development Finance 2000* CD-ROM. The data on credit are from the International Monetary Fund's *International Financial Statistics*.