Ministry of Education and Science of Ukraine
Sumy State University

DEPARTMENT OF ECONOMICS, ENTREPRENEURSHIP
AND BUSINESS ADMINISTRATION

MASTER THESIS

Topic**: The management of privatization processes and their impact on economic situation of enterprise and state**

Specialty 073 «Management»

Study program 8.073.00.09 "Business Administration"

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Sumy 2019

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“___” _________ 20___ .

ASSIGNMENT
for the Master Thesis

Student of group BA.m-81a/1i_, 2 year of study________FEM_________
(Institute)

Specialty 073 “Management”
Study program 8.073.00.09 “Business Administration”

____
(full name)

Topic of individual research: **The management of privatization programs and their impact on economic situation**

Enacted by the SSU order №________from “___”________20___.
Date of finalized Thesis submission: “____”________ 20___.

Initial data for research: **informational bases and modern literature_**

Content of computational and clarification summary (list of questions to be considered) _ The concept of privatization and its main types
The economics concept of privatization
The main types of privatization
Estimations of privatization programs efficiency

The theoretical discussions of positive and negative sides of privatization
Comparison of privatization between developing and industrial countries
The role of financial analysis in evaluating the performance of the financial sector at the stage of preparing for the privatization program
The directions of privatization programs improvements
The main features of successful privatization
The successful management of privatization programs

List of illustrations

Fig. 1. Privatization revenues globally and over the years 2006 to 2016

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Date of receiving the assignment: "____"____________20___ .

Master Thesis supervisor ____
(academic title, full name)

Assignment is accepted for: "___"_________20__._______________
Student signature

Notes:

1. This Assignment is to be attached to the clarification summary of Master Thesis.
2. Apart from Assignment, student is expected to receive from the supervisor the time schedule on preparing Master Thesis during project period with indication of terms of accomplishment and workload for each stage.

ACKNOWLEDGEMENT

In the name of Allah, the Merciful

We started with more than one hand, and we suffered more than they were, and we suffered a lot of difficulties. Today, thank God, we are staying up late nights, tired days, and the conclusion of our journey between the two sides of this humble work.

To the beacon of knowledge and Imam Mustafa to the illiterate, the master of creation, to our noble Messenger, our master Muhammad, may God bless him and grant him peace.

To the fountain that cannot be tender to the one who woven my happiness with strings woven from her heart to my dear mother.

To those who sought and suffered for the sake of comfort and contentment that did not hold back for the sake of pushing me towards the path of success that taught me to advance the ladder of life wisely and patiently to my dear father.

To those who love them running through my veins and shouting their memories, leading me to my sisters and brothers.

Also, I would like to express my appreciation to my supervisor,

(Oleksandr KUBATKO) who happily answered my inquiries, provided me with materials, reviewed my examples, helped me countless ways to write, and usefully commented on previous drafts of this project.

ABSTRACT

Generally, this research discusses a number of issues related to the subject of economic privatization.The importance of this research is that it deals with research and analysis of one of the most important contemporary issues on the economic and political scene in most developed and developing countries alike.

Its importance is reflected in the nature of the objectives it seeks to achieve.

1. Definition of Privatization - Definition and concept.

2. Review forms and methods of privatization.

3. Discuss and analyze the experiences of some countries that have followed privatization.

Highlight the pros and cons of privatization.

Providing results, solutions and conclusions that may be useful in the field of privatization.

In particular, it focuses on some vital topics such as:

- Explaining the concept of economic privatization and introducing its definitions.
- Presenting and discussing different types, techniques and forms of economic Privatization.
- Studying economic privatization experience from both developed and developing countries
- Analyzing the performance of some privatized firms
- Identifying the advantages and disadvantages of economic privatization, and highlighting the possibility of limiting the effects of its disadvantages
- Setting standards and mechanisms that might clarify and promote the opportunities to execute a successful process of privatization.

Key words: management, privatization programs, economic efficiency, ownership.

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Introduction

After decades of government control over the economic sector, he developed many social and economic theories to explain the emergence of a public welfare state within the public economic sector.

Many of these theories attempt to link the welfare state with the expansion of the government sector and other highly influential factors such as the technological and technological revolution and its significant role in increasing the size of the unemployed in capitalist societies.

And that the socialist society (where all partners in the public sector) is the only savior from the situation of human exploitation of man in capitalist society, and from the dangers of the rapidly evolving technological revolution, and from the inevitable unemployment in industrial societies and the situation above.

These ideas and policies supporting them have spread over the past century and are widely accepted by liberation movements in developing countries emerging from imperialist colonialism.

In the past seven decades, the government sector has dominated the national economy and society in a holistic or “dulwah” manner, and attempted to solve the economic needs and problems of society through the political process, leading to the fall of personal freedoms, private property, and freedom of trade in competitive markets, as victims of state determination. To achieve economic security

The size of these governments has grown enormously. It dominated larger parts of the national income and nationalized or imposed censorship of many private enterprises. Millions of workers were also burdened with compelling unemployment.

Those theorists who supported the free market and the private sector were suffering from the problems of capitalist crises, especially the crisis of 1929-1933 and the magnitude of the increasing labor unemployment caused by it, and because of scientific and technological development.

The most important critics of the principle of state intervention in the national economy were intellectually trapped as the state reached its peak of power and hegemony. The thinker, Maiss, in his book Socialism, published in 1920, and the economist (Hayeh) in his book, The Road to Slavery, published in 1940 Among the examples of this situation, but to prevail in the free market principle, his friends sooner or later had to devise the strategy necessary to dismantle the state's dominance of the national economy and the dynamic movement of society, so it was necessary to support theorists theorists with practical methods to transform what is "public" To what is "special", that is, what has been shared In the past must now be subject to privatization.

When the 1970s came, the bitter harvest of the results of socialism came to light as a result of heavy government bureaucracies, the heavy tax burdens needed to finance the state machinery, the frightening volumes of indebtedness, public budget deficits, etc.

Public officials and citizens alike began to look for answers. Right-wing social movements began to seek freedom and free markets to gain support from intellectuals. This trend has grown from different segments of society.

In many countries, public officials were able to bring the country back to its former bottle, and the beginning of the era of privatization.

Before the 1980s, governments around the world had increased the scope and scale of their activities and implemented a range of tasks to be undertaken by the private sector. In the United States, the federal government built highways and dams, conducted research, increased its regulatory powers, and granted funds to state and local governments to support their responsibilities ranging from education and road construction. In Western Europe and Latin America, some nationalities have nationalized companies, entire industries, banks and healthcare systems. In Eastern Europe, where the Communist regime exists, it sought to eliminate the entire private sector.

In the 1980s, a different political trend began to focus on limiting the role of the public sector in many parts of the world. In the United States, the Reagan administration issued directives aimed at reducing the role of government, facilitating regulation and privatizing government assets and services. Thatcher administration launched the UK and adopted the term privatization, followed by most countries around the world.

Importance and objectives of the research:

The importance of this research is that it deals with research and analysis of one of the most important contemporary issues on the economic and political scene in most developed and developing countries alike.

Its importance is reflected in the nature of the objectives it seeks to achieve.

1. Definition of Privatization - Definition and concept.

2. Review forms and methods of privatization.

3. Discuss and analyze the experiences of some countries that have followed privatization.

Highlight the pros and cons of privatization.

Providing results, solutions and conclusions that may be useful in the field of privatization.

Problematic research:

The problem of this research is that it seeks to demystify the debate and debate on the economic arena on this subject, and clarify the goals and objectives of privatization by examining some of the global experiences in privatization, as well as making a comparison to devise the most important rules governing the process of privatization in each country in the light of its special circumstances. The problem is also reflected in the conception of the success of privatization.

Research Methodology:

The approach adopted in this research is a combination of analytical and inductive approach, and we will try through the study and analysis of the experiences of some countries in the subject of privatization and the possibility of benefiting from them, in addition to the comparative approach was used in addressing some of the determinants of the topic, all based on the statistical approach to demonstrate the credibility of the results Reached.

Research questions:

Can privatization solve the problems of public sector facilities?

Does the impact of privatization change between developing and industrialized countries?

Have privatization programs always proved successful in achieving their goals?

Chapter 1: The concept of privatization with its main types

1.1. <u>The economics concept of privatization</u>

Privatization is a term that uses a set of ideas, concepts and management models that seek to empower the market economy and reduce the governmental role in economic activities.

Changing the ownership structure and controlling state-owned enterprises

Introducing market concepts and competition for public services activities in the context of trade liberalization and easing of regulatory requirements

Privatization also means the transfer of property and assets from the government to private entities, wholly or partially. It is a global phenomenon and is one of the most important economic reform policies in both developed and developing countries. It has contributed to building and growing the volumes of GDP, diversifying sources of income and raising the efficiency of employment by activating and raising the efficiency of using resources and creating value and involving the private sector in playing pivotal roles in economic activities.

Privatization grew dramatically in the early 1980s and has continued to this day

Figure 1 illustrates the increase in privatization revenues globally and over the years 2006 to 2016, indicating the continued international trend towards privatization.

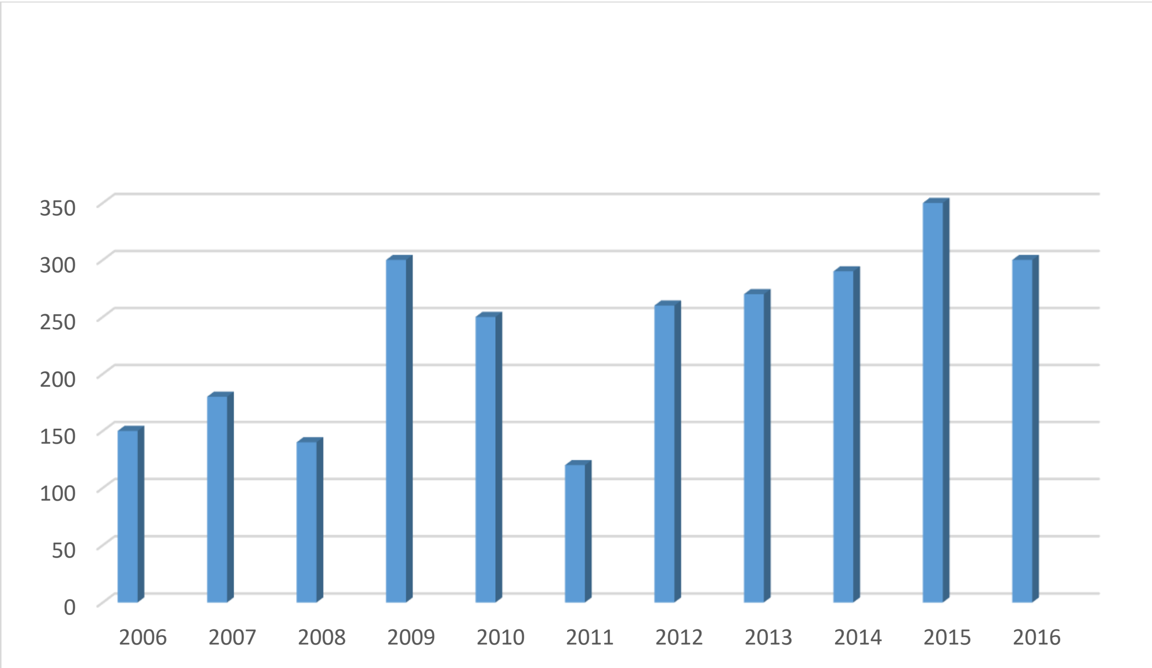

Fig. 1. Privatization evenues globally and over the years 2006 to 2016

It focuses on the transfer of state-owned enterprises to the private sector after financial and operational restructuring and the preparation of these institutions to be saleable and privatized. Therefore, it differs from the PPP (PPP Partnership Private Public), where in the privatization the government engagement in the targeted institution ends with privatization, while in the PPP the state continues to play an important role, and in many cases when the relationship ends Assets or joint operations with the private sector of the state again

1.1. The main types of privatization

1. Change of ownership

Privatization involves changing the ownership of an enterprise from the public to the private sector.

This is done in two ways:

(A) Full sale: The government completely discards any ownership or any additional responsibilities.

(B) Partial sale: The state partly gives up ownership of assets and leaves management to the private sector

It should be noted that countries whose capital markets are not well developed tend to adopt the privatization model through full sale or through partnerships with the private sector.

2. Editing

The second concept of privatization deals with the liberalization and removal of barriers and regulations to enter activities that were restricted to government in the public sector. Market access restrictions remain to increase competition with the government by private sector firms. Privatization does not involve privatization of the public sector.

3. Conversion

The Government retains ultimate responsibility for the provision of the service (franchise), but transfers the responsibility for providing a good or service to the private sector. The formula is contractual between the government and the private sector to provide public services and leases assets to the private sector. This is a common example of privatization.

Chapter 2: Estimations of privatization programs efficiency

2.1. The theoretical discussions of positive and negative sides of privatization

Pros of privatization:

In an increasingly interdependent and smaller world through the speed of communications, there is no society that can compete successfully without getting rid of the heavy legacy of public enterprises and promoting this by freeing the entrepreneurial spirit of the private sector. Manila and Michigan, USA, the theory behind this is simple based on deep facts about the nature of humans and their response to incentives and deterrence, if performance is linked to routine, bureaucracy and politicization in the framework of a system that should exist, regardless of the net C, it will lead to the deterioration of performance and its high costs and on the contrary if it has been published competition, accountability and fear of losing a valuable client when performing tasks, the result will be excellence and becomes the deterioration of performance is exceptional.

There are also the advantages of privatization

1. Undertake a regulatory reform process covering both the organizational structures and the various regulations pertaining to the activity of public production institutions, with the governmental institutions responsible for investment policies, and then fiscal and monetary policies.

2 - Raise the efficiency of private enterprises by achieving the optimum volume of production, which provides producers with maximum profit.

3. Encouraging competition according to the concept of market economies, through which the private property base expands, by eliminating all forms of monopoly formed under central government planning.

4. Focusing on the growth of the private sector and supporting its productive institutions, considering that this sector has the elements of economic efficiency and its components, as happened in developed countries when their private sector accelerated the advanced economic growth processes in the sector. The first is to create a general economic climate that includes the enactment of various laws, legislations and incentives for growth in private sector activities. The second area includes macroeconomic policies aimed at expanding the base of private ownership over a certain period of time. Achievement within this area is highlighted by the participation of the private sector in the ownership of public institutions, with the gradual exit of the state from economic activity.

5. Developing and activating the capital markets (stock exchange) that were not prevalent in light of the dominance of the public sector or the central planning system that closed the stock exchanges or their activities in general.

6. Creating new jobs and fields of work, as one of the main objectives of the national program to expand the base of private ownership is to add new job opportunities and reduce as much as possible the unemployment rate spread in the society groups with their specializations and experiences in various fields.

Cons of privatization:

In spite of the advantages and benefits of privatization, there are those who object to it and put forward some of the disadvantages resulting from it.

1. The devastation of Russia: the result of privatization: According to Zyuganov, the secretary of the Russian Communist Party after the collapse of the former Soviet Union, the worst privatization measures in history were taken by mafias, foreign capital, political bureaucrats from senior bureaucrats and officials of the Communist Party of Russia. Some sources point to the sale of government institutions valued at $ 200 billion sold only for $ 7 billion (Dr. Alabrash Mohammed Riad, Dr. Marzouk Nabil, 1999 - privatization prospects and dimensions p. 178), and other sources indicate that it was sold Assets valued at $ 60 billion at 1.5 billion (Tazi Vito 1999 - Growth The economic and the changing role of the government, Finance and Development Magazine, June, p. 22).

2 - It also dispenses with state employees: It must be emphasized that the presence of state employees is to serve citizens or consumers and not vice versa, that the state organs are not established and work merely to get their employees only salaries, but to perform tasks necessary to serve the community.

3 - It leads to the demolition of the state: However, the state is to serve the citizen and there must be control and accountability, it goes without saying that control and accountability on private sector enterprises are the most effective and the state can, for example, cancel contracts with private enterprises if it violates the public interest or the terms of contracting.

4 - It was not able to achieve the objectives: This needs to prove its validity and may be the reasons are errors in the implementation of privatization, such as errors in the drafting of contracts with private enterprises.

5. Savings from privatization may not be used in the appropriate areas: privatization naturally generates cost savings as well as proceeds from the sale of shares in privatized companies, and misuse is not limited to savings from privatization, which can no doubt be improved. State capacity to use for development.

It goes without saying that citizens who value freedom and free markets will encourage the rush behind the privatization revolution. The strongest public sector in its organs is not a matter for one political group. Everybody should aim to provide better service to citizens by responsible and efficient institutions.

6. They may lead to the emergence of private interests: here, it may be noted that improper methods may be used to obtain private contracts in unfair ways.

7. Betting on privatization as a remedy for the economic problems of the underdeveloped countries is particularly misplaced, because the conditions required for its success, such as a free competitive market, the stock market, high administrative qualifications, etc., are only available in developed capitalist countries (Dr. Issa Najib, 1999). - Privatization in the Economic Commission for Western Asia with diversified economies (p. 497)

In addition, there are a number of negatives, including:

1. The focus of the Government on the disposal of its loss-making institutions mainly, after the increased burden of these institutions on the shoulders of the State as a result of the high volume of debt, and multiply the benefits of the debt itself with the accumulation of losses for many reasons, and therefore sold at the lowest price.

2. The transfer of ownership of public sector institutions - wholly or partially - to the private sector is logically preferable to the economic considerations advocated and adopted by private institutions over the many social considerations that public institutions always believe in serving all members of society without discrimination.

3- Increasing the number of unemployed labor force inside the country, because the layoffs of public institutions is considered one of the most complex problems facing the implementation of the said program, through the fact that some Arab countries suffer from a surplus of qualified and unqualified workers, which is offset by a shortage of those. The Arab countries that suffer in some specializations resort to fill this shortage by hiring foreign workers in many cases, although the Arab labor available is no less efficient or experienced than those of foreigners.

4. The application of the program in many cases results in the emergence of a limited proportion of society characterized by high monetary income, which usually results in a marked disparity in the income of members of that community, and is reflected in the stability of the country from the social, economic and even political.

5. The possibility of removing government subsidies on basic commodities that are normally consumed by low-income members in particular, and the difficulty of compensating such subsidies by other means.

6. There has been a devaluation of the national currency of the State applying the said program during many stages of it, because the national currencies of developing countries do not in most cases have a golden cover or sufficient

economic strength to support their dealing in different financial markets (stock exchanges).

7. The difficulty of conducting evaluations of public institutions with their fixed and variable assets, which are to be offered for sale to the private sector, or the failure to follow fundamental procedures in the evaluations themselves as one of the most complex problems facing the actual implementation of this program.

8. Lack of specialized agencies and departments in the process of transferring ownership of the public institution to the private sector.

9 - The lack of social, economic and political environment in many Arab countries and even if they exist in other countries, they are considered inappropriate for the transfer of public ownership to the private sector.

10 - Lack of legal systems and labor laws that control the economic activities of many Arab countries and at the same time help to implement the above program.

11 - Lack of sufficient number of buyers for public sector institutions offered for sale in many Arab countries.

12 - Difficulty in solving problems related to concession contracts and the use of trademarks by public institutions when transferring their ownership to the private sector.

13. Developing countries generally do not attach much importance to the private sector in order to raise the level and efficiency of their economic activities.

14. Public-private ownership transfer programs are generally not politically supported in many developing States.

<u>Here I mention the experiences of some countries</u>

_ In Jordan, the Jordanian government established a special unit in the prime minister's office in 1995, called the Executive Privatization Unit. The total number of companies sold by the Jordanian government during the period between 1995 and 2001 was 44 such as:

In 1995, in line with Jordan's economic rectification program, the Jordanian government decided, through the issuance of the General Electricity Law, to take the first practical step towards privatization by transforming the Jordanian Electricity Authority into a public shareholding company under the name of the National Electric Power Company.

In 1998, the new joint stock company produced 1,540 MW, which is equivalent to 90% of the electricity in Jordan. Jordan's electricity consumption is estimated at 1,295 kilowatt-hours (kWh) in 2002, covering 99.9% of the population.

_ The experience of former British Prime Minister Margaret Thatcher:

There are many lessons learned from the privatization experience of former British Prime Minister Margaret Thatcher in the following areas:

• Seven government airports were sold and converted into commercial airports operating in the private sector. The approved privatization approach has attracted public support. More than two million citizens bought about 1.4 billion shares in airport companies.

• About 1 million government housing units were sold to residents at below-market prices. From neglect, broken windows, wastewater and wastewater networks to beautiful housing and clean neighbourhoods, according to the rule, "You care about what you own and don't care about what others have."

Many British giants, including British Telecom, were sold, and in order to secure the support of their employees for privatization, they were offered “stock options” at the company at a discount to the market's expected prices. Or stay shareholders of the company, and most importantly is to improve the level of services that the public takes in the market at low prices and the tax burden on citizens has decreased.

Within a decade, $ 40 billion worth of government-owned enterprises in the public sector were sold and transferred to the private sector. State officials became private sector workers, and Britain was transformed from a “sick European man” into a country that had revived.

_ United States experience:

Although the United States is primarily a private sector state, there are some leaders in the capital who oppose the privatization of many federal government agencies, but the trend towards privatization is strongest at the state level.

Some states have accomplished privatization of public goods through prison administration, government data processing, child care, and many more. The best example is the state of Michigan. To fire prevention and some parts of police protection, sewage treatment, street lighting, street pruning, snow removal, parking sites, railways, hospitals, prisons, and even tomb management, garbage collection, and some states More than 50 public services were subject to competition in the market, and companies advanced to accomplish these tasks efficiently and at low cost, which resulted in lower fees paid by the citizen for the services provided to him. In the field of access to food products, postal and security services to its members rather than provided by its organs.

It is necessary to know the benefits of privatization on the economy in general when mentioning the pros and cons

Isn't privatization an essential aspect of economic reform? Privatization can simply improve economic performance and support domestic and foreign private investment (the lifeblood of countries adopting reforms in modern global economic systems). It also provides new economic opportunities for individuals who may become so

Partners in ownership or investors in state-owned enterprises. This is beneficial for both the public and private sectors and consumers - not just companies

The benefits are reflected in microeconomics

Privatization can be beneficial to SOEs at the micro-economic level:

- Pumping capital from investors: Many SOEs suffer from underinvestment because of their chronic losses or as a result of state funding. The problem is particularly acute between heavy industries in particular and those in technology such as telecommunications. Privatization can inject investments either through the ownership of these industries by individuals, especially when the new owner is a foreign investor.

- Reducing cost / improving efficiency: Reducing excess labour contributes to improving work efficiency and improving profits in privatized firms. Work efficiency improves when workers are used to making decisions and feel the importance of hard work when they feel that their continuing job is not guaranteed by the state.

- New Administration: The administrative capacity of most SOEs is usually below the internationally required levels. In developing countries, salaries in SOEs are usually lower than in the private sector.

The problem in many countries is that managers in government companies lack the market knowledge needed to successfully manage a company (such as determining how much and how much) because such decisions are often taken from the top, to make decisions that

Lead to maximizing the gain. Despite the political pressures the company may face, private sector companies are usually more free to adapt to changing market conditions.

Technology and training: New investment and management usually inject new technology, which is crucial because outdated technology and underinvestment in modernization have been a major obstacle for SOEs. On the other hand, the training of managers and employees alike can bring significant benefits to companies that are moving towards privatization.

The macroeconomic benefits

The benefits of privatization are not only for companies but also for the private sector and the economy in general. However, privatization can only succeed when reforms are implemented in line with open and competitive markets. Although privatization may temporarily destabilize production and rising unemployment - which could create political problems - governments' public awareness of the importance of privatization and economic reform will reduce this problem because privatization is a key step towards economic growth. Long-term prosperity, can benefit macroeconomic level.

Extensive competition: Local businessmen can enter new markets when state companies lose protective measures that protect them from competition with other companies, while foreign investors may participate in attractive markets. This competition requires improved products and services and lower prices.

However, it should be borne in mind that the elimination of State monopoly of markets was not overnight. The state should establish regulatory entities to ensure competition in markets that were previously monopolized by state-owned companies.

- Financial stability: The financial situation of governments adopting privatization improves for two reasons:

The first is to reduce or eliminate state expenditures in boosting the business of its companies and cover their losses, thereby reducing inflationary pressures that disrupt economic systems and undermine reform programs. The second is enabled

Governments get revenue from the sale of government companies. In Russia, for example, the sale of many small businesses owned by local government agencies made significant profits.

Statistics in many countries show the benefits of successful privatization in developing countries. Experience has shown that economic reforms must continue for the success of privatization. In Argentina it happened

Significantly improved budget deficit in the non-financial public sector, which fell from 2.7% of GDP to 9.4% in 1990. However, the experience of Argentina in the 1990s showed the importance of continuous reform, because in the early stages of privatization proceeds from the sale were directed Companies to finance the state budget deficit, but when financial flows from privatization decreased, it appeared that Argentina's budget was on the verge of collapse because it was not repaired, but was financed by temporary funds - the proceeds of privatization. But in the Philippines by 1994, eight years after the start of the privatization program,

The privatization resulted in more than $ 6 billion in government revenues, which gave the country its first fiscal surplus in 20 years.

In Jordan, for example, sales of public companies reached $ 900 million by 2002. According to some estimates, other financial benefits include pumping tens of millions of dollars as a result of the elimination of financial support for loss-making SOEs on privatized facilities.

These developments are evidence of the success of economic reform programs. It is wrong to say that privatization is the only factor responsible for this success, but successful privatization is behind these results. On the other hand, financial stability is one of the most important aspects that reduce inflation, which is reflected in macroeconomic stability

- Development of the capital market: The relationship between privatization and the capital market is complex but also important. Privatization programs generally do not work in countries where financial markets fail. In countries with small capital markets, for example, privately owned companies cannot sell their shares to domestic or foreign investors. On the other hand, it is difficult for investors to sell the shares they buy, which leads to their reservations and workers' reservations regarding the purchase of shares. Chile, for example, has privatized its pension system, created private pension funds and formed a base of institutional investors. Institutional investors help increase liquidity in local capital markets and have a greater impact than individual shareholders on the management of the companies they invest in. For example, funding can be used to cover networks

Social security is important in absorbing the effects of adjustment on the population, thus maintaining popular support for economic reform.

Attracting foreign investment: despite the destabilizing effects of the private sector

Benefits for foreign investors

Many countries have designed privatization programs to attract foreign investors, but privatization programs do not meet the conditions for attracting foreign capital. Foreign investors are evaluating many other factors, including the general economic climate and political stability. Among the attractions that privatization offers to foreign investors are:

- New markets: Privatization offers foreign investors the opportunity to penetrate new markets in developing countries. Long-term growth and returns from these markets are higher than in developed markets in industrialized countries. Providing skilled and unskilled labor in these countries can help foreign investors create export potential, a strategic necessity in a competitive global economy. Acquisition of state-owned enterprises can foreign investors to start business faster than investing in the construction of a new factory from scratch. Foreign investors can also acquire a ready share in new markets when purchasing state-owned companies

- For example when

PepsiCo bought the Polish confectionery company, which was able to exploit the well-known name to penetrate markets in Eastern Europe. However, it should be borne in mind that the establishment of a money company in partnership with a privatized company in a foreign country is not one of the preferred options when starting an external business. The privatization process may involve a significant cost to the foreign investor and may demand payment of the debts of the state-owned company, dealing with environmental problems, restructuring or solving problems between workers and management. Many companies prefer to start from scratch.

Fewer risks: Privatization protects foreign investors who invest in minority shares from the risk of capital investment and investment deficits by setting up new companies that may fail because of the difficulty of dealing with unions or local government employees who oppose reforms or foreign investment in general. Land acquisition also puts investors at risk of expropriation and problems with building permits

- Low barriers to market entry: Acquisition of state-owned enterprises may be better in the case of industries that require large capital. This strategy is useful for countries with poor supply and distribution networks. For example, baby food producer Gerber bought a stake in the Polish company Alema to exploit the existing distribution and logistics system, including contacts with local breeders and the glass factory.

The new company has become one of the leading companies in the field of baby food in the European market.

Benefits to consumers

Consumers, in turn, benefit from the privatization of state-owned enterprises. Companies that have to compete and get new capital for investment, new management and new technology must provide better services at lower cost. But in order to achieve this competitive pressure, privatization must be structured in ways that ensure that SOEs do not have a monopoly on the monopoly of SOEs. On the other hand, high tariffs and other barriers to competitors must be removed or reduced. However, practical experience has shown the opposite: privatization has been controversial in many countries, even in countries where success has been achieved, and post-conflict implementation

Why is privatization a controversial process?

In short, privatization requires many costs that many elements of society do not want to pay.

The opposition produces social sectors that benefit from existing social systems. They are usually concerned about changes in privatization and restructuring and their negative impact on them. The problems associated with economic restructuring are not new. In the 1980s, the IMF faced tougher lending programs as a prerequisite for lending against the political process. In addition, privatization is a clear component of economic restructuring programs - as opposed to limited monetary policies - and thus attracts attention and political opposition. , And higher inflation rates. In many cases, economic restructuring is only used when the economic situation deteriorates.

It is difficult to maintain current policies. Consequently, people who have suffered under the old policies are required to endure the suffering under the new policy, with promises of future benefits.

2.2. Comparison of privatization between developing and industrial countries

The industrial and developing countries are not homogeneous in terms of the availability of favorable factors to ensure the success of the privatization program.

- Financial markets are still in the formative stage.
- Weakness in oversight capabilities.
- A public sector that accounts for the bulk of GDP.
- Lack of the most important elements of successful privatization such as capital, efficient management, and trusted employers.

However, some of these countries have broad markets and rapid economic growth rates, and the government's success in achieving business separation appears more likely. This paper reflects the results of a study designed to determine whether privatization is beneficial in their economic environments and institutional structures, by examining the impact of Privatization is based on financial and operational performance in a wide range of developing countries. Most of the applied privatization studies have focused on industrial countries with exceptions such as the World Bank study. In a 1994 World Bank study, gains and losses on welfare were assessed. There were gains in social welfare in 11 of them, and there was only a case where workers showed that they had achieved a total loss from privatization. However, this sample appears to be narrow and unrepresentative of the world of privatized enterprises in developing countries and therefore cannot be generalized.

The study (MNR) covered a more comprehensive sample, and compared the financial and operational performance before and after the privatization of 61 enterprises in (18) countries, including (12) industrial countries, (6) developing countries and (32) sectors during the period 1961. - 1990: The study presented a statement that after privatization enterprises became more profitable, increased their real sales, investment spending, and improved their operational efficiency. These results were generally unchanged when the data were divided into samples Gore.

Performance after privatization:

The main results of the performance of 79 enterprises were privatized in 21 developing countries during the period

1980 - 1992 as follows:

The sample and methods: The study focused on (79) establishments that were privatized in (21) developing countries that witnessed full or partial privatization during the period 1980-1992. The sample was well diversified and enjoyed wide geographical spread with varying levels of development achieved in these countries. Study on low-income countries (Bangladesh, India, and Pakistan), countries with lower-than-average global incomes (Chile, Jamaica, Nigeria, Philippines, Thailand, Tunisia, Turkey) and countries with higher-than-average incomes (Argentina, Brazil, Greece, Korea, Malaysia, Mexico, Portugal, Singapore, Taiwan, China, and Terry) Dad and Venezuela) as the sample enterprises operating in different sectors and structures of varying market (competitive and non-competitive) as well as varying in size.

The study aimed at determining whether privatization is desirable in credibility in developing countries, and whether the recent privatization of enterprises has met the expectations of governments and development agencies. In particular, the study attempted to determine whether privatization has increased the profitability of the privatized enterprises and their operational efficiency. Capital expenditure, production, etc. The study also looked at the effects of privatization on employment, capital structure, and dividend distribution policies. The performance indicators of the sample enterprises were compared for three years before the relationship with the state was broken and three years after the relationship was broken.

The study examined the change in the operational performance of recently privatized establishments for the sample as a whole, as well as for the sub-samples of establishments in competitive versus “non-competitive” industries and establishments in countries with “higher” level of average incomes versus countries in “lower” level of average incomes. As well as establishments that have been subjected to "full" privatization as opposed to "partial" privatization and privatization of censorship, which is ceded by the government and the result achieved:

<u>Higher profits</u>: When enterprises move from public ownership to private ownership, their profitability should increase. In response to shareholders' desire to maximize profits, elected managers of newly privatized companies are expected to make plans to maximize profitability. Control and cash management of elected managers who are more interested in profitability and operational efficiency in order to satisfy the government with greater production or use.

The results of the study indicated a significant improvement in profitability, after the disengagement from the government. If the profitability was measured by "return on sales" or "profit margin, it increased from (4.9%) before privatization to

(11%) after privatization, an increase of 124%. Of the sample establishments, 13% reported an increase in profitability, and the results of the sub-samples (excluding establishments in the lower level countries and the lowest average incomes) indicated that the establishments showed a slight increase in profitability.

Greater efficiency: greater emphasis on profit and reduction in government subsidies following privatization is expected to lead to more efficient use of human, financial and technological resources. Operational efficiency in the study is measured on the basis of "sales adequacy ratio" ie "real sales per worker" and " Net income adequacy (ie, "net income per worker") indicated a significant increase in the aftermath of privatization, where "sales adequacy ratio" increased by 25% on average, while "net income adequacy ratio" increased by 13% Thus, the establishments that separated from the government achieved improvement This is due to the operational efficiency and achievement of the common goal of all governments that have initiated privatization programs.

The significant increase in sales adequacy was inclusive in all sub-samples, and this result for enterprises privatized in developing countries is similar to the results of the MNR study for enterprises privatized in industrial countries.

It appears that changes in both profitability and operational adequacy were significantly higher for enterprises in higher-income countries than those in lower- and middle-income countries, which means that the first countries are best placed to succeed in privatization.

Greater investment: Governments expect that the emphasis on operational efficiency will lead to privatized enterprises to increase their capital spending, and are expected to continue this trend because they can borrow more confidently, in addition to developed capital markets "stock exchanges" enjoy more active incentives for investment and aims Estimation of capital investment The study used the ratio of capital expenditures to sales, which increased from average (10.5%) to (23.7%) after privatization (an increase of 126% of the sample establishments, 62%) of the establishments that achieved the increase.

The rise in investment after the dismantling of enterprises from the government was evident in many sub-samples, enterprises in the "competitive" versus "non-competitive" sectors, enterprises in "higher" and "middle" countries of income and enterprises in "low" countries versus Thus, the results of this study reinforce the results of a study that the competitive environments in both "developing" and "developed" countries are pushing privatized enterprises to increase their spending on capital investment.

Higher Production: If the privatization process is properly designed and implemented, it is expected that it will support efficiency and investments and encourage growth and employment (employment) .The results of this study confirm this as actual sales increased significantly (by 25%) with (76%) of the establishments sample witnessed an increase, and if the privatization year is considered the base year, the actual sales increased from 96.9% before privatization to 122.2% after that.

Sub-samples also showed a significant increase in "actual sales" after the privatization was completed, with the vast majority (at least 68%) per sub-sample rising, and the increase in production reflected an increase in the productivity of privatized enterprises.

<u>Employment</u>: Most public sector enterprises suffered from inflation and, accordingly, privatized enterprises were expected to reduce employment after the disengagement from the government and the reduction of government support to increase efficiency. (58%) in the sample establishments on average and (139) individuals on average per facility or (1.3%), and these data (to bring the findings of the study (MNR) that privatization does not necessarily mean a reduction in employment, increased investment and operational efficiency lead to High production and employment.

In terms of sub-samples, the increase in the number of employees was significant for enterprises in non-competitive sectors and for partially privatized enterprises operating in lower-level and lower-income countries, as well as those whose revenues were privatized. Employment has increased in all sub-samples except enterprises in the "non-competitive" sectors which, as expected, have tended to reduce employment.

<u>Minimum leverage and high dividends</u>: The shift from the public to the private sector is expected to reduce “leverage” because the government's exit from loan guarantees provided to the public sector will lead to higher borrowing costs, and increased privatization of enterprises As expected, the results of the study indicate "leverage" as measured by the ratio of "total indebtedness to total assets" as it declined significantly (by an average of 5% and in sub-samples the decrease was significant in all enterprises operating in the "competitive" and " Non-competitive "and in the origin T working with diameters entry levels "above average" and facilities "partially privatized" as well as in the case of "privatization of revenue."

“Dividends” are also expected to rise because private investors, unlike governments, generally want dividends, and dividends as measured by “dividends to net income” and “dividends to sales” ratios have increased significantly (from 34% to 49% and 2.8% to 5.3%, respectively) of the sample facilities (85%) distributed a "higher percentage of net income" compared to (76%) distributed "a higher ratio of income to sales" and achieved an increase in the last percentage In all sample establishments, this indicates that whatever the level of development in the country, companies will increase the percentage of water distribution Go.

The results of the above studies showed the following:

(A) For sample establishments as a whole, there has been an increase in all inflation adjustments:

1- Profitability.

2-Operational efficiency.

3. Expenditure on capital investment.

4-Production.

5. Employment.

6- Dividends.

(B) The sample as a whole has seen a decrease in leverage.

(C) The results were high in the following sub-samples:

Establishments operating in both competitive and non-competitive sectors.

2- Establishments operating in countries with average income levels.

3. Establishments that have been subject to full and partial privatization.

4. Privatized enterprises.

5. Establishments with privatization of revenues.

(D) The results were less significant in establishments operating in countries with low levels of average incomes.

(E). There is a clear impact on the nature of ownership of these establishments because the owners in the private sector emphasize more on profits and increase production and employment, as it is high enough profits tend to rise.

(F) Privatization in both developing and industrialized countries improves performance in recently privatized enterprises, although the gains have been highest in industrialized countries.

2.3. The role of financial analysis in evaluating the performance of the financial sector at the stage of preparing for the privatization program

Financial analysis tools that help us to analyze the position of companies that will be applied to the privatization program and that have already been subject to it.

There are many methods and tools used in financial analysis, past and present, so that the financial analyst can choose from them that are compatible with the nature and quality of studies or the analysis in place, whether the purpose of the analysis is to use these methods and tools to diagnose the financial position of the institution, or to assess the past Or, to study the present and predict the future that helps the government and investor in the process of privatization significantly.

The most important of these tools:Financial ratios:

The analysis by financial ratios is one of the most important and most popular methods of financial analysis among financial analysts, and it is one of the oldest of these technologies as it appeared in the mid-nineteenth century when the users and stakeholders were used to make their economic decisions.

Perhaps the most important thing that helped spread the ratios between analysts and users is the ease of extracting and understanding it and the ability to rely on it in evaluating performance and various aspects of activity

The importance of analysis in financial ratios:

The financial ratios are considered tools for estimating and comparing the results of the institution, and allow the institution over time to follow its development and the development of some internal and external indicators where it is necessary to know the strengths and weaknesses in order to be used properly or work to correct them. The importance of financial ratios lies in the following points:

Provide meaningful and useful implications

Review the direction of the items in the financial statements with financial periods for the same institution

Compare the institution with other institutions belonging to the same sector

Comparing the institution with the approved standard and industrial ratios

Identify the organization's weaknesses and strengths and suggest recommendations and policies to address it.

Types of financial ratios:

There is a set of ratios that financial analysts see as sufficient and that places the corporation in front of the fait accompli and makes the judgment on the corporation logical and a definitive indication of the real financial position of the corporation, these percentages are: Liquidity ratios, activity ratio, profitability ratios, investment profitability ratios

First: liquidity ratio

The importance of these ratios appears in that it measures the financial adequacy of the entity in the short term, or in other words, the facility's ability to pay its fixed financial obligations, and. The financial solvency of the enterprise in the short term shows the extent of coverage of the current liabilities with the assets of the facility and enables this facility to convert these assets into cash in a period of time equal to the entitlement of the current liabilities.

Liquidity ratios aim to assess the financial capacity of the institution in the short term and is done by measuring the institution's ability to offset its short-term liabilities when due, through its regular cash flows resulting from sales and collection of receivables at the first stage, and this capacity is calculated by comparing between the sum of its short assets. Term and sum of its short-term obligations.

The level of liquidity required for the corporation to meet its short-term obligations depends on the regularity of its cash flows, so industrial companies need higher liquidity rates than those required by electrical services companies, for example because of the high risk of fluctuation in the first and low in the second. The most important liquidity ratios are the following:

trade rate:

1. «The ratio of trading = the sum of the current assets»
Total current liabilities

2. «**Working capital** = total current assets - sum of current liabilities»

3.Quick payment ratio =
«total current assets - (commodity inventory + expenses provided)
Total current liabilities»

4. Cash ratio = cash
Current Liabilities

Second: Activity ratios

This group of ratios is also called the asset management ratios. These ratios measure the efficiency of the institution's management in appropriately allocating its financial resources to the various types of assets. It also measures the extent of its efficiency in using its assets to produce the largest possible number of goods and services and achieving the largest volume of sales and therefore higher. Possible profit.

All activity ratios include a comparison between net sales and all investments in different types of assets, with a focus on that part of the assets most relevant to achieving sales, especially commercial enterprises.

The most important activity ratios include:

1.**Debtors turnover** = $\frac{\text{Net future sales}}{\text{Average debtors}}$

«**Average debtors** = $\frac{\text{debtors first term + debtors last period»}}{2}$

Average collection period = $\frac{\text{number of days}}{\text{Debtors turnover rate}}$

2.**Average turnover =** $\frac{\text{cost of goods sold (cost of sales)}}{\text{Average commodity stock}}$

«**Average commodity stock** $= \frac{\text{inventory at first term + inventory at last period»}}{\mathbf{2}}$

3. «**Activity cycle length** = length of storage period + length of collection period»

4.**Fixed assets turnover** = $\frac{\text{net sales}}{\text{Average fixed assets}}$

5.**Asset turnover** = $\frac{\text{net sales}}{\text{Average assets}}$

Third, profitability ratios

Profitability ratios measure how efficient an organization's management is in achieving profit on sales, assets, and owners 'rights. This is why profitability ratios are the area of interest of investors, management, and lenders. Investors are looking for profitable opportunities to direct their money to them, and management can verify the success of its policies.

1.Return to Asset Ratio $= \frac{\text{Net Income Receivables}}{\text{Average assets}} * 100$

2.The return on equity of owners $= \frac{\text{net income}}{\text{Average owner's rights}} * 100$

3.Return on assets $= \frac{\text{net profit}}{\text{Average assets}}$

4.Return on invested money $= \frac{\text{interest + net profit}}{\text{Equity+ long-term liabilities}}$

Fourthly, the profitability ratios of investments:

A- The rate of return on equity

Return on the funds of the owners of the company invested in shows, and given that the shareholders 'equity at the beginning of the year differs from it at the end of the year, we use the average shareholders' equity, which is (average shareholders 'equity at the beginning of the year + average shareholders' equity at the end of the year) divided by 2, This rate is very important for large and long-term investors, because it reflects the company's ability to achieve a good return on their investments in it, and its ability to attract more investments.

The rate of return on equity $= \frac{\text{net profit}}{\text{copyrights.}}$

B- The rate of return on investment

It expresses the extent of the company's efficiency in using all available and invested money to achieve a good return, and it explains the extent of the management's ability to achieve a return on its investors 'funds.

The rate of return on investment = <u>net profit</u>

Total invested funds (total assets)

C- The rate of return on assets

Return on assets rate = net profit

Total assets (total of current and fixed assets)

The rate of return on assets measures the company's ability to invest the assets it owns of equipment, buildings, land, and inventory. Total assets or the average of total assets can be used. This ratio is similar to the rate of return on shareholders ’equity, as each of them measures the return on investment in one way or another, It may come to mind that some activities need more assets than others, so comparing this ratio between two companies in two different fields does not give us an indication of the failure of this or the success of that, but we can compare this indicator to the same company year after year, or we compare it with similar companies from Terms of the activity.

Chapter 3: How to get a successful experience in privatization in the light of previous studies with the pros and cons.

3.1. The main features of successful privatization

In order for the privatization programs to achieve success in achieving their desired goals, a number of ingredients, requirements and auxiliary factors should be provided, foremost of which are:

1. Provides the political will of the government and political support for the process.
2. Provide the legislative framework for the process by issuing laws and regulations that facilitate the implementation of the program and work to open sectors that were closed to the private sector, while working to end the monopoly of the public sector.
3. Provides the institutional and organizational framework and regulatory mechanism for the privatization program.

Regulation is a decisive factor for the successful privatization program, especially for monopolies. A study by the World Bank indicates that as a result of high production efficiency (resulting from the availability of a well-developed and well-organized regulatory framework), all parties to the privatization process have benefited: consumers, workers and shareholders. This is because higher productivity enhances opportunities for lower prices, higher wages, and higher profits.

4. Establishing regulatory bodies for the sectors that were the exclusive domain of the government.

The privatization program should be part of a general economic reform program that helps to create an enabling environment that provides a free and competitive market and a stable monetary system and legislation to keep pace with the requirements of implementing privatization programs. For example, the success cases recorded in New Zealand, Britain, Mexico and Chile are due to the privatization process accompanied by reforms to open markets and the removal of distortions (related to prices and exchange rates) and the encouragement and development of the private sector by ensuring freedom of entry to the market.

A study by the World Bank confirms that the country’s conditions and market conditions are two conditions for the success of the privatization program, as the country’s conditions would help the program succeed. These conditions include free trade regimes and a stable and predictable environment for investment in sophisticated institutions as well as the ability to regulate.

As for market conditions, they are an important factor for success, as the privatization of companies that produce tradable goods or operate in competitive markets leads to an improvement in the level of efficiency.

5. Reconsidering the investment laws and the companies law in a way that is compatible with the developments and the economic reform program.

Observing the rules and principles of transparency and integrity in the application and not favouring any party to the process at the expense of another, through following the accountability system. Mexico and the Philippines, for example, made the sale of the facility transparent by adopting the competitive bidding method and developing objective criteria for selecting offers with minimal bureaucracy to monitor the program. It should be noted that the lack of transparency in the privatization process can result in political ramifications, as happened with Poland at the beginning of the process.

6. The need to prepare well for the implementation of the program and to prepare all requirements for that.

Ensuring public, labour and administrative support (bureaucracy) to ensure successful implementation of the program and avoid strong opposition to the program.

7. Ensure the rights of citizens and benefit from the privatization process.

To ensure that the financial benefits from the privatization process are achieved, the financial returns from the program should be directed towards paying off the public debt, which will help reduce the budget for subsequent years by the amount of savings in the benefits of the public debt. On the contrary, when the amount of savings in the benefits of public debt is less than the amount of profits that were achieved in the establishment that was operating before the privatization process, the privatization program can have a negative impact on the general budget of the country.

In order to successfully implement privatization programs, the process must go through several stages, the most important of which are:

Initially, the candidate units for privatization should be identified and then economic feasibility studies prepared for them, and international institutions can be used for the independent authorities to prepare the mentioned studies.

Then the laws and regulations required for implementation are issued, and here the government may resort to the establishment of an independent public administration, or it may establish holding companies that own shares of a number of establishments offered for sale.

Finally, the restructuring of the public establishment is done with a view to ridding it of all restrictions and problems that the facility may suffer from, such as accumulation of debts and surplus labor ... etc. The facility may be partitioned if it is large in size.

In order to guarantee the rights of citizens and benefit from certain privatization processes, some people suggest preparing a guide that includes many points that must be taken, the most important of which are:

1. That work in companies' subject to privatization be carried out and operated according to the approved technical specifications.

2 that the government sets the maximum tariff (price) that the consumer will pay.

3. The companies that are established shall deal with the national companies in terms of taxes.

4 that work is being done to establish more than one company to ensure competition.

A higher limit can be set for the contribution of foreign capital and the requirement to contribute to increasing the volume of exports, reducing imports and operating a certain percentage of national labor and a minimum wage, in addition to imposing a condition to continue in the same activity, especially if the said activity is required and satisfies the basic need of citizens.

It is noteworthy that the application of the above points would help in the success of the implementation of privatization programs.

3.2. The successful management of privatization programs

As can be seen from the previous analysis, it requires a pause in the reference criteria for the successes of privatization, which we will not associate with the size of public sector companies sold. In previous periods, several governments sold some units of the sector (such as Edward Heath's government in Britain, which in 1971 sold bars. Drink to the private sector, the Argentine government that sold Air Austral in 1980, etc.) and to those who are contemplating - at the time - believe that it succeeded in completing those sales.

Nor will we attach them to the financial performance indicators that are likely to reduce the budget deficit. All monetary austerity policies have succeeded in reducing the deficit, and have accepted, in advance, the consequences of the economic downturn.

But it remains to set benchmarks for successes in the context of awareness of privatization as a movement strategy we are dealing with to strengthen the position above the ladder of economic power.

1. *Restructuring Production: Prosperous Competition*

The first criterion for success lies in the ability to restructure production in line with emerging technological cycles and deepen the role of productive services. Privatization is betting on its promises to increase labor productivity and reduce the cost of production, both of which are subject to technological progress, and if we assume that we are unable to increase productivity To reduce costs, competition mechanisms will be stalled and the promise of prosperity will be stalled. Privatization measures alone are not sufficient to manage the wheel of competition.

2. *Sales proceeds: Strict accounting rules*:

The second criterion for success relates to accounting rules requiring that the proceeds of the sale of public sector units not be included in the current revenues of the state budget, not only because this means that we eat our capital and that of our future generations, contrary to the commandments of privatization on the need to rationalize resources, but also means that the state in The future will find itself forced to expand borrowing from savings vessels to meet its capital expenditures, in which case domestic debt will increase and accumulate rates, so that the monetary mass escapes control and inflation.

3. *Balance of Capital Transactions:*

The third criterion for success relates to the balance of capital transactions. If foreign firms operating at home will enjoy - in the light of privatization - the right to finance their expansion from domestic monetary markets and at the same time have the right to transfer their profits abroad, the concern here is that the balance of capital transactions will record a deficit. Net negatively affects the balance of payments and the state finds itself forced to borrow more to cover the deficit. It is self-evident that reinvesting profits will be tied to a broader market, and foreign direct investment will not be directed to a country itself, but to a region.

4. *Labor market: (safeguards):*

The fourth criterion for success is related to the reorganization of preventive safeguards for the labor market, which under the privatization loses its institutional frameworks. Wages will inevitably decline, and forms of employment will be biased towards temporary employment, all of which threatens social explosions in both developed and developing societies. Guarantees come from a genuine partnership between labor and capital, so workers (and I mean the mass of labor) must own a percentage of the shares of the companies sold (if not all the shares).

The value of the shares can be financed by loans from intermediary institutions (governmental or non-governmental) or through pension and social insurance funds. The return is not just the loyalty of the worker to the institution and increase its productivity by the moral impetus to obtain more profits and increase his income, but - also - mitigate the protest Social in case of dispensing.

5 - *Professional Management Companies: Key Performance:*

The fifth criterion for success is directly related to the creation of a climate for the emergence of local and professional management companies, as management contracts - as already mentioned - will be one of the most important forms of privatization in the commodity sector. The term professional management in its functional sense means that management services - themselves - become the subject of market trading. There will be no privatization of services unless all services are marketed. Professional management companies can provide job opportunities for the dispensed expertise, and they also reflect a sophisticated form of a coalition of labor as one of the key performance keys in the privatization strategy, especially in the absence of local management companies, all management contracts will reap foreign management companies, an obsession Concerns are pushing some countries down the international ladder.

6. *Social Liberalism: Confronting Poverty and Unemployment*

The sixth criterion for success is directly related to the means to contain the phenomena of poverty and the unemployment of unqualified labor, which necessarily create marginalized social groups that break out of the social fabric, and then turn to tear it apart and tear apart the unity of the market. Privatization itself. If the IMF recognized this fact and claimed responsibility for what it called the new poor (i.e. the poor left behind by privatization policies) and, under pressure of recognition, contributed to the creation of social funds, this alone is not enough, there are about 1,630 million (40 percent of The population of the globe) lives below the poverty line, of which about 1407 million are in developing countries. Because more privatization will generate more for the poor, the combination of structural adjustment policies with social liberalization concepts may help to control the pace of privatization and adapt its social dimension, and the proposals go on in context.

Conclusion

Given that economic reform has become a necessary strategy for every country with accumulated imbalances in its publicly controlled production institutions, reforming this sector by transferring ownership to the private sector has become a distinct goal that should be taken into account, at a time when In practice, the public sector is inefficient in achieving optimal state growth and progress goals. Having continuously corrected the accumulated and intractable imbalances and the complexity of problems with public sector institutions by supporting them through loans and assistance in vain in order not to have to close them, and after some countries found that the estimated value of a group of public institutions is almost equal to, or may exceed, The volume of debts and interest payments accumulated for several years, and after the unlimited support and spending on public institutions burden the treasury and the annual budgets of the State at the same time impede the implementation of many items of economic development plans, especially with regard to the development of industrial sectors In general, countries are seriously considering finding radical solutions to these serious disadvantages to their economic entity. They are raising capital from the sale of their public institutions, in whole or in part, and are planning to gradually reinvest them into viable projects such as achieving a significant proportion of food security. Through new projects or modernization and development of old projects in the agricultural sector, with the redistribution of national income in the areas of education, health and various transport in order to achieve real increases in the incomes of its members.

Therefore, privatization in both structural and preventive forms is a necessary remedy for the improper and unbalanced status of public sector institutions in most countries, in order to transform the status of the economy of any of them based on public sector activity to a free and competitive economy in which the private sector cooperates more and better than ever. Before. This means that while a country succeeds in implementing structural privatization which results in many positive achievements for the benefit of its society in particular, we believe that another country does not favor the implementation of this kind of privatization, and at the same time focuses on the implementation of an economic reform program according to automatic privatization aspired by During which to reap better fruits than in the other type. Thus, the form of the economic system prevailing in the country prior to the implementation of the privatization strategy in general, has a direct impact in the selection of his government for the type of privatization, which will result in the economic revival of the productive sectors of industrial and agricultural, then commercially, it is not important to determine what kind of privatization This is one country or another, but most of all it is possible to address the many drawbacks to which we referred in the previous paragraph.

Recommendations

Below is a set of recommendations that help enhance the success factors of privatization programs and avoid negative factors that contribute to the failure of the mentioned programs.

1. It is necessary to establish a privatization program that includes the required steps, stages of implementation, and required changes in the market mechanism, price movement, and in the laws and rules under which the public sector operates. International institutions can be used to provide expertise for a successful operation.

2. Work to secure the conditions of competition in the market because this helps to raise the level of performance efficiency more than the change in ownership alone leads to, and that the concept of competition here includes competition between the two private suppliers, while emphasizing that the services provided by the private sector are far from fraud and manipulation .

3. A form of oversight is necessary to secure a fair level of prices for goods and services and prevent the emergence of a state of exploitation for consumers, especially when privatized enterprises are in a monopoly position.

4. A realistic evaluation of the assets of public and privatized companies is required before starting the sale.

5. As the privatization of large companies does not necessarily solve the problem of weak management, this is why the government must choose the most competent cadres to manage such companies.

6. The necessity of establishing a government higher body to supervise the privatization process and take key decisions.

7. Avoid turning the privatization process into a way to enrich some of the influential people and follow them and seize the national wealth, as happened in Russia in 1993, where political influence and foreign capital seized public companies at symbolic prices.

8. Work to issue laws and regulations to manage the privatization program and establish rights and duties in a manner that guarantees the integrity of the process and preserves the rights of both the consumer and the producer.

9. There is another set of procedures that should be taken for the success of privatization programs, which include creating an economic environment favorable and favorable to private ownership, starting a program to provide information, developing a specialized team for corporate management, and preparing companies for the privatization program and the government's willingness to play the role of the provider of facilities instead of supplying goods, as well On encouraging individuals to request services from the private sector.

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