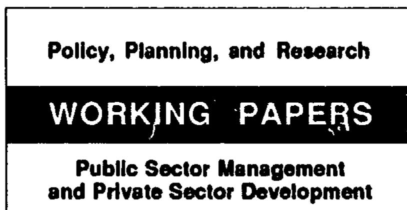
Public Disclosure Authorized

Public Disclosure Authorized



Country Economics Department
The World Bank
August 1989
WPS 233

Public Enterprise Reform in Adjustment Lending

John Nellis

Specific divestiture dates and institutional public enterprise reform should probably not be a matter of hard conditionality for sectoral adjustment lending. One alternative is to establish institutional development projects that parallel adjustment operations. Another is to establish "primary conditions," nonfulfillment of which would bring an operation to a halt, and "secondary conditions" (including most institutional and public enterprise reforms), nonfulfillment of which would evoke sanctions but not end operations.

The Policy, Planning, and Research Complex distributes PPR Working Papers to disseminate the findings of work in progress and to encourage the exchange of ideas among Bank staff and all others interested in development issues. These papers carry the names of the authors, reflect only their views, and should be used and cited accordingly. The findings, interpretations, and conclusions are the authors' own. They should not be attributed to the World Bank, its Board of Directors, its management, or any of its member countries.

Policy, Planning, and Research

WORKING PAPERS

Public Sector Management
and Private Sector Development

Adjustment operations have required or requested:

- Divestiture (in its many forms).
- Policy changes, particularly about pricing.
- Enterprise use of fewer and better managed resources, including labor.
- Better guidance and evaluation by the state.
- Restructuring and rehabilitation at the firm level.

Across the board — but particularly in connection with institutional management, guidance, and performance evaluation — much remains to be done. There is little information about the post-privatization performance of divested firms and disturbingly little evidence that efficiency gains account for the perceived financial improvement in many enterprises — which are probably attributable to investment cuts and price increases in monopolies.

Many governments have reduced the flow of resources into poorly performing public enterprises (PEs) but most PE reform being instituted through adjustment can be seen as preliminary or "brush-clearing" steps. These steps have reduced the burden on the budget, but it is unclear whether the reforms will promote efficiency.

The World Bank should continue to move away, in adjustment conditionality, from specifying numbers of PEs to be sold by date X— which is counterproductive. The divestiture process is too uncertain for date setting, particularly in the short run. It also appears unwise to make purely institutional PE reforms a matter of hard conditionality, because they require more time than several SALs. Institutional development projects that parallel adjustment operations may be one solution.

The Bank might also consider establishing "primary conditions" (a few key, clear, easily monitored objectives, nonfulfillment of which would bring an operation to a halt) and "secondary conditions" (including most institutional and PE reforms in general), nonfulfillment of which would evoke sanctions but not end operations.

This paper is a product of the Public Sector Management and Private Sector Development Division, Country Economics Department. Copies are available free from the World Bank, 1818 H Street NW, Washington DC 20433. Please contact Rose Malcolm, room N9-055, extension 61708 (27 pages with tables).

The PPR Working Paper Series disseminates the findings of work under way in the Bank's Policy, Planning, and Research Complex. An objective of the series is to get these findings out quickly, even if presentations are less than fully polished. The findings, interpretations, and conclusions in these papers do not necessarily represent official policy of the Bank.

Produced at the PPR Dissemination Center

PUBLIC ENTERPRISE REFORM IN ADJUSTMENT LENDING

I The Problem

The performance of public enterprises in developing countries has not generally lived up to the expectations of creators and funders. They have not generated anticipated rates of return on equity invested. Nor, all too often, have they attained projected non-commercial objectives -- with regard to employment generation, technology transfer and regional development, for prime examples. Nor, frequently, has performance reached anticipated levels of economic productivity and efficiency. There is considerable variation in performance from region to region, with Asian countries showing fewer problems than Latin American public enterprise sectors, which, in turn, generally perform better than enterprises in Sub-Saharan Africa. While every country possesses a number of profitable enterprises (though many of these are exploiting a protected or monopoly position), and some of these enterprises are sound even when measured by the most strict economic criteria, there are still too many money-losing, inefficient public enterprises in developing countries.

At the level of the individual enterprises, the details of poor performance have been known for some time. Numerous attempts to resolve problems have been made, frequently in conjunction with World Bank project lending. Despite perceptible improvements in many firms in technology, training and managerial procedures, performance levels -- as

measured by the traditional criteria of profitability, or rates of return on investment, and self-financing ratios -- have all too often stagnated or worsened.

Reviews of project lending concluded that many of the factors contributing to poor enterprise performance were external to the firm, outside the control of management. Deficient macroeconomic policy, uneconomic pricing regimes, the lack of clearly defined objectives for individual enterprises or sub-sectors of enterprises, conflicts and shortcomings in the legal and regulatory framework, overly easy access to the banking and credit system, weak financial structures, ineffective or interfering monitoring systems and chaotic budgetary relations -- given these common circumstances, even dynamic and competent management, working with high quality equipment, may be incapable of generating decent returns. Conversely, good financial returns are sometimes a function of distortions, and are not due to the efforts of management. These realizations constituted the fundamental justification for the inclusion of public enterprise sectors in adjustment operations: Since piecemeal and particularistic reforms have proven to be insufficient, then the logical alternative is to attempt systemic revision of policy and procedures.

II. Attempted Reforms of State-Owned Enterprises in Adjustment Programs

Number and Location

The first Bank-sponsored attempt to reform public enterprises in a systemic, cross-sectoral manner was the Senegal Parapublic project. This became effective in 1978, three years before the first Senegal Strucutural Adjustment Loan (SAL). Between 1982 and 1984, a few other Bank-assisted public enterprise (PE) reform programs -- in the form of loans to fund technical assistance -- took place outside the framework of a structural or sectoral adjustment operation; in

Table 1

SALs with SOE Components
(as of March 1988)

Region	Approved	Proposed
Africa	Burundi	Mauritius III
	CAR	Sierra Leone
	Congo	
	Gambia	
	Ghana	
	Guinea	
	Guinea Bissau	
	Ivory Coast I	
	Ivory Coast II	
	Ivory Coast III	
	Kenya I	
	Kenya II	
	Malawi I	
	Malawi II	
	Malawi III	
	Mauritania	
	Mauritius I	
	Mauritius II	
	Niger	
	Sao Tome and Principe	
	Senegal I	
	Senegal II	
	Senegal III	
	Togo I	
	Togo II	
	Togo III	
	Zaire	
LAC	Bolivia	Haiti
	Chile	
	Chile II	
	Chile III	
	Costa Rica	
	Dominica	
	Jamaica I	
	Jamaica II	
	Jamaica III	
	Panama	
	Panama II	
	Uruguay	
EMENA	Pakistan	Morocco
	Turkey I	Yugoslavia II
	Turkey II	
	Turkey III	
	Turkey IV	
	Turkey V	
	Yugoslavia	
Asia	Korea II	Thailand III
	Nepal	
	Philippines I	
	Thailand I	
	Thailand II	

Table 2

Sector Adjustment Operations
With SOE Components

(Approved as of March 1988)

Country	Operation	Ln/Cr Number	Board Approval	Ln/Cr Amount (US$m)
Pakistan	Fertilizer Imports	1066	80/09	50.0
Tanzania	Export Rehabilitation	1133	81/04	50.0
Malawi	Smallholder Fert.	1352	83/04	5.0
Sudan	Agriculture Rehab. II	1389	83/06	50.0
Ghana	Export Rehabilitation	1435	84/01	76.0
Zambia	Export Rehab.& Diversif.	2391	84/03	75.0
Bangladesh	Textile Industry Rehab. II	1477	84/05	23.0
Sierra Leone	Agriculture Sector	1501	84/06	21.5
Philippines	Agriculture Sector/Inputs	2469	84/09	150.0
Guinea Bissau	Reconstruction Imports	1531	84/12	10.0
Madagascar	Industrial Assistance	1541	85/01	40.0
Zambia	Agriculture Rehab.	1545	85/01	25.0
Ghana	Reconstruction Imports II	1573	85/03	60.0
Mauritania	PE TA and Rehab.	1567	85/03	16.4
Pakistan	Energy Sector	2552	85/05	178.0
Korea	Second Ind. Finance	2571	85/06	222.0
Morocco	Agriculture Sector	2590	85/06	100.0
Turkey	Agriculture Sector	2585	85/06	300.0
Morocco	Second ITPA	2604	85/07	200.0
Ecuador	Agriculture Sector	2626	85/10	100.0
Zambia	Industrial Reorientation	1630	85/10	20.0
Mauritania	SNIM Rehabilitation	2643	85/12	20.0
Zambia	Fertilizer Industry Restruc.	1662	86/02	10.0
Ghana	Industrial Sector Adj.	1672	86/03	28.5
Bolivia	Reconstruction Imports	1703	86/05	55.0
Hungary	Ind. Restructuring	2700	86/05	100.0
Madagascar	Agriculture Sector	1691	86/05	20.0
Pakistan	Export Development	2701	86/05	70.0
Kenya	Agriculture Sector	1717	86/06	20.0
Somalia	Ag. Sec. Adj.	1711	86/06	30.0
Zaire	Industrial Sector	1708	86/06	20.0
Zambia	Recovery Program	1720	86/06	50.0
Nigeria	Trade Policy and Exp. Devt.	2758	86/10	452.0
Tanzania	Multi-Sector Rehab.	1741	86/11	50.0
Indonesia	Trade Policy	2780	87/02	300.0
Tunisia	Industry and Trade	2781	87/02	150.0
Haiti	Economic Recovery	1766	87/03	40.0
Philippines	Economic Recovery	2788	87/03	310.0
Argentina	Trade Policy & Exp. Diversif.	2815	87/05	500.0
Morocco	PE Rationalization	2820	87/05	240.0
Bangladesh	Industrial Sector	1816	87/06	190.0
Jamaica	PE Sector Adj.	2849	87/06	20.0
Madagascar	Ind. & Trade Policy	1834	87/06	67.0
Niger	PE Sector Adj.	1823	87/06	60.0
Turkey	Energy Sector	2856	87/06	325.0
Colombia	Power Sector	2889	87/12	300.0
Mexico	Fertilizer Sector		88/03	265.0

Madagascar, Peru, Mauretania, Mali and Congo. All other cases have been an integral part of, or closely associated with, adjustment lending. As of March, 1988, the number of such operations totaled 101 -- 51 in SALs and 50 in sector adjustment loans.[1] PE reforms have been an element of almost every adjustment operation, structural or sectoral.

In keeping with perceived deficiencies in performance, there have been many more actions in Sub-Saharan Africa than elsewhere. Out of a total number of SALs approved by the Board, twenty-six have taken place in Sub-Saharan Africa (in seventeen different countries). There were PE components in all twenty-six of these loans. The regional distribution picture is summarized in Table 1.

The situation for sectoral adjustment operations (SECALs) is more complicated. Sectoral adjustment loans specifically and uniquely devoted to public enterprise reform have been approved in six countries: Jamaica, Mauretania, Morocco, Benin, Niger and the Philippines. Similar projects, commonly refered to as PERLs (public enterprise restructuring loans), are in preparation in at least six more countries. But public enterprise reform -- of policy issues, pricing matters, relations between the state and the PEs, staffing, training, financial and managerial restructuring at the level of the firm -- have also figured in a very large percentage of the other 44 SECALs approved between 1980 and March of 1988. In many of these loans, especially those to the agricultural and industrial sectors, public enterprise components have been key. Table 2 shows the regional and sectoral breakdown of SECALs involving public enterprises components.

1/ Since many countries have had several adjustment loans or credits affecting the PE sector, the total number of borrowers with PE-related adjustment operations is less than 100. Moreover, counts vary according to how one classifies reform activities; an April, 1989 count of the Bank's Industry Department concluded that 83, rather than 101, operations contained PE actions.

Nature of Reforms Attempted

There is a basic similarity to he reform packages proposed and implemented. Cross-sectoral improvement activities have fallen under three general headings:

- reforms of the macroeconomic policy and financial frameworks affecting PE performance;
- reforms of the institutional framework (ways in which the government guides, supervises and evaluates PEs); and
- issues of divestiture.

In addition, more than half of all PE components of adjustment loans have contained elements aimed at the restructuring and improvement of specific enterprises. The justifying reasoning has been that including the most important and sensitive enterprise-level reforms in a visible and sizeable adjustment operation should increase the likelihood of painful reforms -- layoffs, financial restructurings, plant closures, price increases -- actually being enacted. Making enterprise level reforms conditions of an adjustment operation appeals to Bank project officers and frustrated government staff alike; but the practice does add to the number and complexity of conditions. Improvements in specific enterprises have figured in over forty operations; in many of the more recent and important PE reform programs the resources devoted to enterprise rehabilitation are equal to or greater than the funds spent on cross-sectoral reforms. (The specifics of enterprise rehabilitation are reviewed below.)

Reform of the Policy Framework

An adjustment operation, especially one with an PE component, inevitably raises questions of the proper role, or the redefinition of the role, of the state. Most PE-related adjustment programs, and all those approved after 1984, thus propose some actions -- often backed up by conditionality -- related to this broadest policy issue. Actions

include: (i) expenditures on studies analyzing and clarifying the state's policy on what economic activities it should and should not perform; (ii) classifications of enterprises into those to be retained, restructured, sold or closed; (iii) identification of specific enterprises to be sold or closed, or of sub-sectors in which privatization will take place, or accompanying measures to facilitate or support such sales. One major distinction in these loans is between those countries in which studies and policy reform preparatory to divestiture is taking place -- in operations in Turkey, Congo and Morocco, for example -- and those which have moved into the action stage of sale and liquidation -- such as in Jamaica, Niger, Togo, Panama and Guinea.

A modest number of adjustment operations has addressed the issue of the elimination of monopolies and monopsonies in PEs. This has been the subject of conditionality in ten SALs and six SECALs. More rare have been attempts to place public and private enterprises on an equal regulatory footing, though the Niger SAL abolished tax exemptions for PEs. Trade liberalization measure are much more commonly advocated, in about half the SALs with PE components, and are either aimed at or have an effect on industrial and manufacturing PEs. Another general policy area is that of legal and legislative reform, which has figured in the PE/adjustment operations throughout francophone Africa, and in Turkey. Clarifying the juridical framework, decreasing the number of forms or legal types of enterprises, changing decrees to eliminate or lighten control procedures and increase managerial autonomy, creating the legal texts necessary to implement privatization, rationalizing the usually cluttered scene with regard to supervisory agencies -- these are the main legal themes under review.

Other areas of policy reform attempted in adjustment loans include pricing, labor issues, credit and investment policy, and the question of arrears, both those between government and public enterprises, and among the enterprises themselves. PE components of

adjustment operations in Senegal, Benin, Panama, Turkey, Ghana, Madagascar and Morocco, and in most other countries, have set tariff formulae, in most instances aimed at rationalizing the way prices are set and periodically adjusted. In adjustment operations in six francophone countries pricing issues have been addressed through support of the contract plan mechanism. (This is an agreement specifying the mutual obligations and rights of the owner -- the state -- and the enterprise for a three to five year period; it usually specifies pricing arrangments for the firm. For a review of the mechanism, see Nellis, 1988.) Adjustment operation conditionality often calls for studies on procedures of price setting in the natural monopoly, service-providing PEs, on methods and timing for price adjustments, and on mechanisms to improve billing and collection procedures.

Labor policies have featured prominently in the PE components of adjustment operations. Excess personnel is a common problem in PEs; substantial layoffs will cut costs considerably; and the resulting savings in the wage bill should provide resources to motivate the remaining workforce. Thus, reductions in staff and changes in employment rules are conditions in twelve SALs and in a larger number of SECALs. Most countries have approached workforce reductions with caution. They are concerned about the welfare of the laborers affected, and they fear provoking labor unrest, and perhaps organized political resistance. In response to these legitimate concerns, several recent PE reform programs, in Ghana, Benin, Mali and Congo (and in several in preparation), have created training and redeployment funds, or supported forms of severance pay.

Reforms in financial policy have become prominent in PE components of adjustment operations. Many governments have tried to reduce the PE burden on their budgets by simply declaring an end to direct subventions from the state. In many cases this threw the PEs on to the national and international credit systems, which, in turn, began to suffer the problems of holding the non-performing debts of PEs. Attempts to analyze this situation and to propose reforms, and to

improve, within domestic banks and/or reviewing ministries, the quality of analysis of investment proposals by PEs, have been called for in Congo and Senegal, and are under consideration in most envisaged African PE reform operations and a proposed reform package for Mexico. Strengthening the scrutiny of PE expenditure and borrowing, increasing PEs' interest rates to market levels (or at least to the rates paid by the domestic private sector) and reducing automatic access to credit, are reform measures in at least fifteen SALs and as many sector operations, across all four regions.

Another perceived major financial problem is that of cross-debts or arrears. Settlement of arrears, and the installation of mechanisms to prevent their reoccurence, is the key issue in the Morrocan PERL; clarification, settlement, and the prevention of future cross-debts between PEs and government, and among PEs themselves, is a cornerstone of most of the Sub-Saharan African adjustment loans and credits; examples can be seen in Niger, Congo and Ghana. A related issue is the strengthening of the budgeting forecast and allocation system to allow government to assess rationally and then to cover its financial commitments to its PEs; this is a continuing theme of adjustment reform in Senegal and elsewhere -- again particularly in Africa.

Reforms of the Institutional Framework & Rehabilitation of Enterprises

Relations between the PEs and the state have received a great deal of attention in every PERL and in most SALs as well. Portions of the issue have also been addressed in a large number of sector adjustment operations. This general theme has been disaggregated into many parts.

- Creating or improving control and guidance agencies, either in the central managing organizations (President's or Prime Minister's Office, Ministry of Finance, Plan, the Central Bank), or in the line technical ministries -- particularly Industry and Agriculture -- or at the level of holding companies, are themes in more than twenty-five PE operations. Though several African countries have created ministries of state

enterprises during the period of Bank-assisted reform, in only one case -- Togo -- has this been a Bank request or adjustment loan requirement. (Indeed, the Bank has generally opposed the creation of specific ministries of this nature on the grounds that in the ministerial competition for resources these entities become uncritical defenders of PEs, rather than performance stimulators and evaluators.)

- Closely related is the creation or strengthening of information and monitoring systems which provide the data on PEs needed to guide and evaluate their performance. This is done both at the level of the firm to improve internal management, and at the sub-sector or national level, to give essential information to holding company or ministerial reviewers. The list of more than twenty-five operations which attempt to deal with this topic closely parallels the one immediately above.
- Often touched upon are training programs for government supervisors and evaluators of PE operations, in both the technical and central ministries.
- Reforms of the boards of directors are a common action, aiming at enhancing the power and autonomy of the board, partly through an enlargment of the legal powers and responsibilities of the boards; partly through a change of board composition from a majority of civil servants to a majority of independent individuals, preferably representatives of the private sector, creditor agencies, user groups, chief suppliers, technical experts, etc.
- One very important item has been addressed more through studies than by way of direct action. Performance evaluation based on a posteriori review of results, in comparison to pre-set objectives, is often mentioned and is consistently regarded as highly desirable. But performance evaluation of this type requires that the set of reforms previously mentioned -- information systems, competent monitors, etc. -- largely be in place. Thus, activities in this field have been mainly of a preparatory nature, except in Ghana, in the Gambia, in Korea -- where an innovative performance evaluation system was supported in the single adjustment operation -- and in seven francophone countries where performance contracts have been or are being installed.

Rehabilitation of individual PEs has been equally multi-faceted. A more or less standard package of diagnosis and prescription has emerged, trans-regional in application. Diagnostic studies of the problems of a key enterprise, or group of enterprises, or of the sector as a whole, have been attempted in over fifteen operations. Management and financial audits frequently follow the diagnostic studies (in a slightly smaller number of operations), which then lead to recovery plans or rehabilitation programs. (These actions have been called for directly in the adjustment operations, or they have been enacted in accompanying technical assistance loans.) A common theme across countries and regions is the weakness of accounting practices at the level of the firm; adjustment operations or the parallel projects propose training or technical assistance in many instances. In francophone countries, and increasingly in anglophone African operations, contract plans or performance agreements (mentioned above) are being initiated and installed in those PEs working in largely non-competitive markets. Training at the level of the firm has been featured in sixteen adjustment operations, and is a prominent part of most of the PERLs in preparation. Finally, capital support and restructuring has been advanced in only five operations, four in Sub-Saharan Africa, and in Turkey.

Divestiture

Divestiture refers to the full range of mechanisms by which the state reduces its direct involvement in the economy: the full or partial sale/transfer of ownership, the sale of assets, leasing arrangements, contracting out, and liquidation (in its various forms). Close to forty adjustment operations have contained divestiture elements, in most cases centering on the issue of the full or partial sale of ownership. The sale of a specifically named enterprise or set of enterprises has been clearly set out in loan or credit conditions in only five adjustment cases: Senegal, Ghana, Jamaica, Panama and Guinea.

The closure and liquidation of specific PEs has been a súbject for conditionality in seven countries, six of them in Sub-Saharan Africa: Senegal, CAR, Guinea, Niger, Benin, Burundi and Panama.

A more common form of divestiture conditionality requires that governments prepare, and discuss with the Bank, studies, consultants' reports or action plans on the classifications of enterprises, and the future of problem enterprises, the best course of action for which is a matter of dispute between the Bank and the government (with the Bank generally favoring divestiture, and the government, restructuring). Adjustment operation conditions often require investigation of or progress on privatization; not the sale of a particular enterprise. Recurring phrases are: government will "initiate a divestiture program;" "will agree with IDA on a strategy for rationalization and disengagement of the state enterprise sector;" "will implement a divestiture program;" "will accelerate its program on divestiture;" and government's progress on divestiture "will be satisfactory to the Bank." Such phrases -- most all in the future or conditional tense -- are common in adjustment operation documents, occuring in at least twenty-five operations, roughly half of them in Sub-Saharan Africa. The intention, of course, is that the future tense will change to the present as the scheduled divestitures occur. (There are several sound financial and economic reasons for this vagueness, discussed below.) Hard conditionality on divestiture is concentrated in the smaller and poorer countries of Africa.

Other divestiture actions have been scattered; they include leasing arrangements (prominent in Togo) and management contracts (common in hotel sectors). There has been relatively little experimentation in adjustment operations with such matters as the contracting out to private suppliers of services performed by public enterprises, though these matters are often raised or proposed in the many consultants' reports prepared in the framework of the adjustment operations.

III. An Assessment of Results

PE aspects of adjustment lending pose at least two problems for the evaluator: (i) many of the objectives set by these reforms, particularly the many that are in the institutional realm, have been qualitative in nature; they have not been, and perhaps cannot be, designed in such a way that renders them easily subject to precise measurement; and (ii) in some of the cases where the desired outcome can be precisely stated, several years of effort and implementation will be required before one can assess whether or not the objective has been achieved. There are also elements which are qualitative in nature and long term as well. With regard to the first problem, one is thrown back on impressionistic assessments of where progress has been satisfactory or not. While these qualitative judgements can be of some benefit, they are obviously less than ideal. The second problem is equally intractable; not many of the PE-related adjustment operations have been in place long enough to permit a judgement on which targets have been hit and which missed.

Therefore, in this exercise an attempt is made to assess the experience of that group of countries in which:

(a) PE reforms have figured prominently in adjustment operations;

(b) the reforms have been in place long enough to produce at least some discussable (if sometimes not measureable) results; and

(c) the results have been reviewed by Bank staff.

Countries meeting these criteria are: Ghana, Ivory Coast, Jamaica, Morocco, Niger, Panama, Senegal, Togo and Turkey. Prima facie, the list is representative of PE-related adjustment operations: just over half Sub-Saharan African, and mostly smaller countries.

What has been tried?

Table 3 presents information on the type and frequency of PE reforms attempted in the thirty-one adjustment operations in the nine countries. The figures require some interpretation. First, with regard to divestiture, the numbers do not mean that there were twenty-nine different programs. Privatization actions started in Togo I, for example, were pursued and deepened in Togo II an III, and the same is the case for Jamaica, Senegal and Niger, all of which have had at least two adjustment operations. These were countries where subsequent adjustment operations reinforced and surpassed initial efforts, or where a second or third try was needed to launch a divestiture, or -- most commonly -- where the original timetable proved to be overly ambitious and more time was needed to prepare and complete the arrangements. This said, it is still true that divestiture reforms were far and away the most common efforts in this set of operations.[2] They were followed by roughly equal emphasis on the issues of pricing reforms, institutional strengthening, and rehabilitation in specific enterprises.

A second point is that the set of actions noted in Table 3 contains the same wide range of reform activities reviewed in section II. But whereas the overall review indicated that preparation for divestiture was more common than emphasis on actual sales or closures, in the smaller sample the opposite is clearly the case: implementation actions are almost three times more numerous than preparation activities. Moreover, the conditionality called for in the divestitures in the sample tends to be precise and action-oriented; in Niger, Jamaica, Panama and Togo in particular. This leads to the third point: many of the PE reforms initiated in this particular group of countries tend to be concrete, measureable and monitorable. Enterprises are

---

2/ This confirms the conclusions of other studies (Shirley/Kikeri; 1987), which listed divestiture actions as the private sector development issue most often tackled in Bank operations.

TABLE 3

TYPE AND FREQUENCY OF SOE REFORMS IN ADJUSTMENT OPERATIONS IN SAMPLE COUNTRIES

REFORM	NUMBER OF OPERATIONS IN WHICH REFORM IS STRESSED
DIVESTITURE	
Implement full or partial sale, lease or liquidate	21
Examine cases, classify, set policy, prepare	8
PRICING ISSUES Increases, decontrols, enterprise autonomy, studies	15
INSTITUTIONAL FRAMEWORK Strengthen review and guidance bodies, improve monitoring systems, reform boards, etc.	15
REHAB & RESTRUCTURING IN SPECIFIC FIRMS	15
REDUCE WORKFORCE	12
FINANCIAL AUDITS OF TROUBLED SOEs	11
PRODUCE SOE POLICY STATEMENTS	10
CROSS-DEBTS/ARREARS SETTLEMENT	9
CONTRACT-PLANS	7
REDUCE TRANSFERS AND SUBVENTIONS	6
MANAGEMENT AUDITS OF TROUBLED SOEs	4

Reforms in three or less adjustment operations include:
Financial restructuring, training, export promotion in SOEs, elimination of monopolies, revising legal framework, specifying rates of return on assets, corporate plans, reforming pay scales for management, increasing competition, and subsidy/credit reform.

either sold or closed or they are not; prices are either increased by the assigned date, by the stipulated percentage or they are not; workers are either dismissed from an enterprise or they are not (though whether they stay dismissed is another matter); and the same is true for the production of financial audits, contract-plans, rehabilitation plans, etc. Thus, one is provided with a record to review.

What has happened?

First, with regard to divestiture: privatization and liquidation of PEs, or preparation for divestiture, featured in adjustment operations in eight of the nine countries. Adjustment loans signed in Turkey did not deal directly with divestiture (the energy SECAL contained a minor reference to the process), but large scale privatization was the leading element in a Turkey PERL, the three-year preparations for which were halted at the request of the Turkish government -- without any enterprise having been sold. In contrast, in Niger, Togo, Panama and Jamaica, all of the divestiture either stipulated or suggested in adjustment operations has been carried out, or is in an active stage of preparation.

In Panama, for example, even though the second tranche disbursement of SAL II was cancelled (at the request of the government), five of the scheduled seven divestitures were completed. In Jamaica, the government was committed under the PERL to divest its PE portfolio by a value of $150 million (J) by 12/87; it far exceeded the goal by divesting to the value of $500 million (J). Thirty-two of the forty-five firms on the list for divestiture were fully or partially privatized, leased or dissolved by November of 1987. In Togo, four PEs have been leased to private operators. The most well-known of these four is the steel mill, the STS, a financial and political success but a dubious economic proposition. The management of a clothing firm has been handed over to a private sector Togolese national; one of the first examples of a management contract being given to an African

entrepreneur. Two PE textile firms were merged and a sale was negotiated -- but was at the last moment subjected to serious delays -- with a Korean-American group. Five PEs were liquidated and their assets sold. Almost twenty other commercial and industrial PEs are on the sales block; arrangements for several are quite advanced. In Niger, as of 12/87, three PEs had been fully privatized, eight partially privatized, four liquidated, and divestiture work was in course for eight other PEs. With regard to financial and economic impact, there are drawbacks and problems in many of the cases cited; some of these are reviewed below. The conclusion is that in these four cases divestiture conditions of adjustment agreements have substantially been met.

In Ghana's SAL I, a condition of second tranche release was that divestiture be initiated in at least ten PEs (one of which was specified by name). The objective was that five companies would be put on the market, and five inactive PEs would be prepared for liquidation. A March, 1988, Bank report notes that some preparatory work has been completed but that "no decisions have yet been taken." In a statement that could easily be applied to a number of countries and divestiture cases, the report argues:

> This slow progress need not be construed as lack of commitment or effort on the part of the Government, but, rather as reflecting the inherent difficulties associated with the implementation of such a program.

In Morocco, the PERL and various other SECALs have emphasized studies and preparation rather than overt action (though the agricultural SECAL required some action on a liquidation; the status of which is unknown.) In the case of the PERL, this was a conscious choice. The reasoning was that first, one should improve the policy framework and the transparency of PE operations. Then -- having shown government that the Bank's concern is efficiency gains, and that ownership issues are secondary; i.e., one of many mechanisms used to

achieve those gains -- would the issue of divestiture be broached. The Moroccan PERL thus calls for consideration, studies and classifications, and a draft law on privatization, all of which were achieved on schedule. (The King of Morocco, in his speech opening Parliament on April 8, 1988, announced a major privatization initiative.) The divestiture question will receive more concrete attention in the proposed PERL II.

Senegal has moved very slowly on divestiture, exhibiting the full range of difficulties in the privatization process: reluctance to sell to foreigners, fear of concentration of ownership of divested firms, difficulty of reconciling market value with book value, and problems of finding an appropriate and transparent sales mechanism in the absence, or extreme thin-ness, of an equities market. Thus, though studies and preparation for divestiture have figured in adjustment lending since 1980, it was only in SAL III (1987-88) that more demanding conditionality on the issue was introduced. Results are modest. In October of 1987 the "Special Commission on the Disengagement of the State" published a list of ten PEs in which the share of state ownership was to be reduced by the sale of stock issues. In only two of the ten would ownership pass from majority public to majority private; in the rest it was a matter of reducing or eliminating government's already minority share. The accompanying explanations left many technical and mechanical questions unanswered. In early 1988, the government published a second list of ten further firms which were to be put up for sale. But they removed from the first list two of the larger firms, stating that they needed restructuring prior to sale. No buyers have yet been found for any of the enterprises on either list. Government has managed to liquidate seven small enterprises (that in total accounted for one percent of government equity in the non-financial PE sector), but has not fulfilled its commitment to identify a second list of PEs to be closed. The conclusion is that on this issue Senegal is creeping forward, without enthusiasm, at a pace far slower than anticipated.

In the Ivory Coast, conditionality in SAL II was met by the liquidation of two of the six sugar firms.

The first lesson learned from these experiences in divestiture under adjustment lending is that the process takes longer than anticipated. Divestiture is not an issue easily synchronized with rapid loan disbursement. Trying to make it so usually only makes matters worse. For example, specifying a date by which a particular enterprise must be sold can be counterproductive, as purchasers will wait until the deadline nears, and offer low prices; and governments will feel obliged to accept either low prices, or offers contingent upon government granting protection or competition-reducing distortions. (This is the case in the privatization of a group of firms in a country not in the paper's sample. In the Guinea divestiture program, which was a matter of strong conditionality in its SAL, of fourteen companies sold five were transfered as monopolies, and a fifth company was given the right to import fuel oil, duty free, for fifteen years.)

The second lesson is that while most governments concerned are showing compliance, albeit with varying degrees of speed and enthusiasm, with divestiture conditions and suggestions, there is, as yet, little information on the crucial question of the post-privatization performance of the entities sold. A small feeder airline privatized in Panama has expanded its fleet and opened new routes. Private traders allowed to compete with a food-distributing PE in Niger are providing more goods at lower prices to a greater number of outlets; and the PE itself, faced with competition, has cut costs and is now making a profit. In countries where divestiture has taken place, there are a fair number of encouraging anecdotes of this nature. But anecdotes, no matter how consistent with the tenets of neo-classical economics, do not amount to a conclusive demonstration of a generalized superior capability of the private sector to put resources to efficient use. Future review work must concentrate on this essential issue.

A third lesson is that the Bank has not proven to be particularly adept at advising governments on the timing or detailed mechanics of privatization ventures. For example, when Togo received two offers for its textile PEs, the Ministry of State Enterprises asked for advice on which offer was the better. The Bank group provided a detailed report on the pros and cons of the two offers. The report was circumspect, but clearly favored the offer which proposed to (a) bring in more restructuring capital, (b) create more jobs in Togo, and (c) produce for export rather than produce behind barriers for the domestic market. There can be no doubt that from an economic point of view, offer one was clearly superior to offer two. Offer one was duly accepted. But the investors were then unable to raise the stipulated amount of restructuring capital, and the conclusion of the sale was delayed. This led some Togolese to think that the second, smaller, more traditional offer -- which would undoubtedly have gone through more rapidly -- should have been taken. The point is not that the Bank group's economic advice was bad; on the contrary, it was good. The issue, rather, is that economic analysis is only part of the deal-making process.

The fourth and final lesson is an obvious one: liberalization should precede, or at a minimum advance in parallel, with privatization. Above all, privatization must not become an obstacle to liberalization (this could happen when new, protected and powerful private owners take steps to prevent further liberalization). The point is simple: divesting into uncompetitive markets may do more harm than good. In practical terms, this means taking more time in adjustment operations to first, or at the same time, reform the policy and regulatory environment, to enhance competitive forces, so that privatization can produce the needed efficiency and productivity benefits. Recent actions of the Togolese government, in the forefront of privatizers, are illustrative: the government has become concerned about the nature and pace of the divestiture arrangements so far concluded, to the point

where it has announced a "pause" in privatization actions. The Bank has supported the evaluation/consolidation pause, and in SAL III is concentrating more on eliminating remaining policy distortions and reforming the industrial incentive system than on numbers and dates for the sale of PEs.

Pricing, Policy Reforms and Rehabilitation

Pricing issues have featured prominently in about half the operations under review. In the vast majority of cases, called-for price increases have been achieved: in Turkey, Jamaica, Togo, the Ivory Coast, Morocco and Niger. Compliance has not generally been a problem. Contrary to usual practice, action has proven easier than contemplation, as pricing studies in several countries have taken much longer to mount and review than anticipated. (It may be well that calling for a "study" is the way the Bank and the borrower government agree to resolve disputes over particularly contentious pricing issues, thus accounting for the slow pace of these actions.) The lengthy and well-studied Turkish experience is particularly interesting in regard to price issues. The Turkish government's primary goal in PE reform was reduction of the burden on the budget posed by resource-consuming enterprises. Among the measures put forward in various SALs were a variety of tariff adjustments and increases. As they were enacted the financial position of the enterprises improved; and government transfers remained even and then declined. But it has been argued, in a Bank evaluation report, that financial improvements came about because the monopoly PEs were allowed to raise prices; and that no efficiency gains can be observed in the utility enterprises in question, or indeed in the sector as a whole.

In Jamaica, the loss-making railway raised its tariffs, laid off substantial numbers of workers, and closed several uneconomic lines; all in the framework of various SALs. Jamaica and Turkey are but two instances where the financial positions of firms were improved through

pricing revisions, but where the results in terms of efficiency gains are unknown or unobserved. In the Jamaican railway case, presumably, cost cutting measures such as staff reductions and line closures also contributed in the long run to the return to profitability. But it is not possible on the basis of available data to sort out which element accounted for the greater percentage of the variance.

The degree of compliance with staff reduction requirements and requests has been high, indeed surprisingly so, given the politically sensitive nature of the issue. Ghana is the outstanding case, where, in a two year period, the infamously over-staffed COCOBOD (cocoa board) lost 54,013 names from its staff list -- 25,000 "ghost," or non-existent workers were eliminated from the payroll, and a further 29,013 staff were "retrenched." This was in response to conditionality in the SAL specifying that "excess labor" would be identified and eliminated. Early SALs in Turkey had requested or required the same sorts of programs; 30,000 workers were laid off from PEs over the four year period 1979 - 1982. Staff reductions of a significant if less dramatic nature have taken place in Niger, Togo, Panama, Jamaica and the Ivory Coast. (The labor issue was not addressed in the Moroccan PERL.) The layoff program in Ghana is presently running into difficulties, not because of an exhaustion of political will to continue the staff reductions, but because of lack of resources to fund the generous severance pay agreements previously agreed to by the PEs.

The pace and impact of enterprise-level rehabilitation and restructuring varies greatly from country to country. Management and financial performance improvements are reported in five key PEs in the Ivory Coast, in several formerly troubled firms in Jamaica, and across the board in Turkey. In the Jamaican case the assertions are backed by data on improved performance as measured by physical and financial indicators; in the Turkish instance the improved macro-financial situation is taken as a proxy for improvements at the level of the firm. In Sub-Saharan Africa much of the rehabilitation work under adjustment

operations has been of a diagnostic, prepatory nature: financial and management audits, consultants' reports and proposals, improved capacity to review investment proposals, training programs, etc. Once again, and particularly in Africa, the proposed schedules for these activities have consistently underestimated the time needed to mount and implement them. This is further confirmation of the often made point that there is a poor fit between the time frame needed to effect X-efficiency improvements and adjustment disbursement schedules.

The fact that Bank-supported PE reform has been underway for ten years in Senegal means that there is a clear record to evaluate with regard to improvements in enterprises. And indeed one can point to improvements: in financial and management information systems, in objective setting (through the contract plan system, discussed below), in pricing policies, and especially in accounting and auditing; all of these associated with adjustment operations. But the economic impact of these reforms is less easy to discern. The sector continues to make financial losses, and the trend is downwards. In 1982-84 the sector lost on average 4 billion F CFA a year; in 1986, public enterprises lost 7.8 billion F CFA. (A significant part of the loss is due to price supports to farmers paid through rural development PEs, and cannot necessarily be attributed to operating inefficiencies.) Presumably, the counter factual argument applies: losses would have been greater without the adjustment associated reforms. There are more encouraging signs in that debts of the PEs have declined over the past three or four years, and that operating subsidies to PEs have been reduced, by five percent in 1986, and by a further fifteen percent in the 1987-88 budget.

Senegal has had extensive experience with the performance agreement, or <u>contract plan</u> process. The results have been less than encouraging. Goals have been set, the mutual responsibilities and commitments of the two contracting parties clearly set out, and performance measures clearly established. In the financial field, tariff regimes have been specified, investment programs stated, non-commerical operations costed out and compensation arranged for, and operating subsidies set -- but in case after case the government has

proven unable or unwilling to honor the financial commitments agreed upon; and the agreements have had to be repeatedly and extensively revised, or have fallen into abeyance. Experience with the device in the other countries in the sample using the contract plan, the Ivory Coast, Niger and Togo, is insufficiently advanced to permit an assessment. However, the first months of experience with the contract plans negotiated in Morocco (their signing was a condition of the PERL) have been positive; with government honoring, for the first time in years, financial commitments in two key firms.

Some progress has been made on reducing transfers and subventions. A direct approach was pioneered in Turkey, where SAL IV specified that in 1983 investments in PEs were to be held to 6.5 percent of GNP, and that overall PE financing was not to exceed 5.9 percent of GNP. SAL V noted that the actual figures were 7.2 and 6.4 percent, respectively. Nonetheless, overall transfers were substantially reduced from previously prevailing levels. (The approach was not repeated in SAL V.) Senegal manged to reduce operating subsidies to PEs by the tactic of simply decreeing that total subsidies in year X will be Y percent less than the previous year. The reductions were conditions of SAL III.

Institutional Reforms

Reforms of the policy-making, supervsing and evaluating institutions have absorbed considerable attention and resources in all the countries in the sample. In Ghana, Togo, Niger, the Ivory Coast and particularly in Senegal and Morocco, Bank-supported efforts are underway to strengthen the data base and monitoring/managerial capacity of the central institutions guiding public enterprises. A central theme of reform is to shift government supervision away from extensive and rigid *a priori* controls and approvals, towards a smaller number of more flexible *a posteriori* evaluation mechanisms. Contract plans, reforms of

boards of directors, lightening financial review procedures, increasing management's latitude while at the same time increasing the competence and capacity of government supervisors, legal changes placing more enterprises in the more lightly supervised categories -- these are but some of the institutional changes being introduced. For countries other than Senegal, about all that one can reasonably say at this stage is that the process has been launched, and that first signs are encouraging.

For example, in Morocco the PERL-supported Directorate of Public Enterprises (Ministry of Finance) is, *inter alia*:

- supervising the contract plan preparation process, and ensuring that the Treasury honors its financial commitments;
- drafting legislation on divestiture procedures;
- utilizing consultants to build a data base on and an MIS for the sector;
- advising a central policy-making committee on PE strategy in general;
- coordinating a training program for government and enterprise staff;
- building a management information system;
- supervising the complicated arrears clearance process; and
- conducting studies on various key questions such as the optimal powers and composition of Boards of Directors.

In each sub-field obstacles remain serious and numerous, but in general, the Directorate is showing dynamism and commitment in attacking problems, and is serving as the focal point for the dissemination of a changed and positive attitude regarding the need to render PEs efficient. PERL preparations and conditionality assisted the policy changes which placed the Directorate in its enhanced position; resources furnished under the PERL provide for the consultants and training being used by the Directorate.

Roughly similar strengthening measures are being supported in Niger, Ghana and Togo; early SALs did the same in Turkey, with modestly positive results. In Senegal, assistance under SALs and related TA loans to the Court of Public Enterprise Accounts has allowed that body to become an effective, respected organization. On the other hand, the main PE supervising agency in Senegal, located in the Office of the President, has not so far played its anticipated role -- despite considerable input from the Bank. One problem has been rapid turnover in its leadership, a second the junior status and lack of experience of its cadre, and the third, the inability of this organization to effect needed changes in the budgeting system which would better reconcile government commitments with revenues. The weakness in this regard is revealed in the recent contract plan experience. Of course, one cannot reasonably expect one small agency to overcome singlehandedly the poverty and deficiencies of an entire system; moreover, recent changes in the organization's management and personnel are expected to lead to improvements in performance.

IV. Conclusions

Adjustment operations have required or requested: divestiture (in all its many forms); policy changes, particularly w'th regard to pricing; reduction, and measures aimed at better management of the resources useα by the enterprises, including labor; improved guidance and evaluation by the state, and restructuring and rehabilitation at the level of the firm. So far there has been a variable but generally acceptable degree of compliance with conditionality. Adjustment operations have underlined both the importance and the intractability of the institutional issues in public enterprise reform: management, guidance and performance evaluation. Progress in these fields is slow, and subject to wide variation from country to country. Across the board, but in the institutitional realm especially, much remains to be done. There is little information on the post-privatization performance of divested firms, and -- disturbingly -- little evidence that efficiency gains have been responsible for the perceived improvement in the financial situations of many enterprises (improvement seems largely attributable to across the board investment cuts and price increases in monopolies). Nonetheless, many governments have, under adjustment operations, succeeded in reducing the flow of resources into poorly performing public enterprise sectors.

More specifically, in the nine countries reviewed (and there is no reason to believe this is an unrepresentative sample), viewed over the whole of the period of adjustment, one discerns:

- a freeze on employment in PEs, and in several instances a reduction in numbers of employees, sometime substantial;
- a freeze in the creation of new PEs, and in many instances a reduction in their number, through divestiture and amalgamation into the regular line administrations;

- a general but not universal reduction in the burden on the budgets posed by PE sectors (mainly through price increases, investment cuts and staff layoffs);
- considerable increases in the quantity, quality and transparency of information on PE performance, physical, financial and economic;
- widespread experimentation with institutional mechanisms to better monitor and manage state enterprises;
- equally widesorad experimentation with private sectors as alternate users of the resources previously invested in PEs.

These are not terribly dramatic advances, but they are steps forward.

Much of the PE reform presently being instituted through adjustment operations can be regarded as preliminary or "brush-clearing" steps; i.e., difficult, tedious and time-consuming measures which do not individually or immediately turn the firms around, but which set the scene for more dramatic improvments. The complexity and slow pace of the reform packages being implemented is regrettable, but probably unavoidable. The "simple" solutions -- getting prices right, selling off the industrial and commerical PEs which are not natural monopolies -- have proven to be either not so simple or only partial solutions -- though both are, and will continue to be, of critical importance.

The reform packages for PEs proposed and implemented under adjustment operations have been based on available "best practice;" i.e., prevailing economic/managerial wisdom and international experience concerning performance improvement. The anticipated major macroeconomic benefit of these reforms, as measured first by a reduction in the flow

of funds from governments to SOEs, has come about in many countries -- Turkey, Jamaica and latterly in Niger and Ghana -- but has not yet taken place in others -- in Senegal and for a surprising example, Togo, despite its lead role on privatization. But reduction of the burden on the budget, no matter how important in the short-run, is not the ultimate justification for reform. In the long-run, the value of the reforms will be measured by the extent to which they promote efficiency. On this crucial issue, the data are not yet sufficient to reach a conclusion.

The World Bank should continue to move away, in adjustment conditionality, from specification of numbers of PEs to be sold by date X; this is counterproductive. The Jamaican PE restructuring loan, with its specification of divestiture of a dollar amount of the state portfolio, is worth further examination by those who favor concrete goal setting. But in general, the divestiture process is too uncertain to allow the setting of a date, especially in the short-term. Further, it appears unwise to make purely institutional PE reforms a matter of hard conditionality. (Why? Because the time-frame for their design and implementation exceeds that of several SALs. Institutional development projects, running in parallel to adjustment operations, may be one solution to this perplexing problem.) Some of the factors involved in meeting such conditionality lie outside the control of governments; moreover, it is unlikely that institutional reform will "make or break" an adjustment operation. Indeed, the Bank might consider nuancing the concept of conditionality, establishing "primary conditions" -- a few, key, clear, easily monitored objectives, the lack of complete fulfillment of which would bring an operation to a halt -- and "secondary conditions." The latter, in which would be included most institutional and indeed PE reforms in general, would provoke sanctions for non-fulfillment of a less than program-ending nature.

References

1. Berg, Elliot, and Mary M. Shirley. Divestiture in Developing Countries. World Bank Discussion Paper No. 11. Washington, D.C., 1987.

2. Choksi, Armeane M. State Intervention in the Industrialization of Developing Countries: Selected Issues. World Bank Staff Working Paper No. 341. Washington, D.C., 1979.

3. Jones, Leroy P. Public Enterprise in Less Developed Countries. Cambridge: Cambridge University Press, 1982.

4. Killick, Tony. Policy Economics. London: Heineman, 1981.

5. Nair, Govindan. "Strengthening Public Finance Through Reform of State Owned Enterprises." Draft chapter of 1988 World Development Report. World Bank, Washington, D.C., 1988.

6. Nellis, John R. Public Enterprises in Sub-Saharan Africa. World Bank Discussion Paper No. 1. Washington, D.C., 1986.

7. Nellis, John R. Contract Plans and Public Enterprise Performance. World Bank Discussion Paper No.48. Washington, D.C., 1989.

8. Shirley, Mary M. Bank Lending for State-Owned Enterprise Sector Reform: A Review of Issues and Lessons of Experience. World Bank, Policy and Research Series (forthcoming), Washington, D.C., 1989.

9. Shirley, Mary M. Managing State-Owned Enterprises. World Bank Staff Working Paper No. 577. Washington, D.C., 1983.

10. Shirley, Mary M. and Sunita Kikeri. "Survey of the Work of the World Bank Group on Private Sector Development." Draft report, World Bank. Washington, D.C., 1987.

PPR Working Paper Series

	Title	Author	Date	Contact for paper
WPS202	A Cross-Section Analysis of Financial Policies, Efficiency and Growth	Alan H. Gelb		
WPS203	Optimal Commodity Taxes Under Rationing	Nanak Kakwani Ranjan Ray	June 1989	M. Felix 33724
WPS204	The Impact of Labor Costs on Manufactured Exports in Developing Countries: An Econometric Analysis	Luis Riveros	May 1989	R. Luz 61762
WPS205	What Determines National Saving? A Case Study of Korea and the Philippines	Sang-Woo Nam	May 1989	R. Luz 61762
WPS206	The Effects of Single-Sex Schooling on Student Achievement and Attitudes in Nigeria	Valerie E. Lee Marlaine E. Lockheed	May 1989	C. Cristobal 33640
WPS207	Occupational Training Among Peruvian Men: Does It Make a Difference	Ana-Maria Arriagda	May 1989	C. Cristobal 33640
WPS208	Effective Primary Level Science Teaching in the Philippines	Marlaine E. Lockheed Josefina Fonacier Leonard J. Bianchi	May 1989	C. Cristobal 33640
WPS209	Can the Industrial Countries Return to Rapid Growth? Space Seminar	International Economics Department and International Economic Analysis and Prospects Division		
WPS210	Notes on Cash-Flow Taxation	Roger H. Gordon	June 1989	A. Bhalla 60359
WPS211	Coffee Pricing Policies in the Dominican Republic	Panos Varangis	May 1989	D. Gustafson 33714
WPS212	Beyond the Debt Crisis: Alternative Forms of Financing	Lessard		
WPS213	Conditionality and Debt Relief	Stijn Claessens Ishac Diwan	June 1989	S. King-Watson 33730
WPS214	Adjustment and the Labor Market	Peter R. Fallon Luis A. Riveros	June 1989	R. Luz 61762
WPS215	Adjustment and Income Distribution: A Counterfactual Analysis	Francois Bourguignon William H. Branson Jaime de Melo	May 1989	M. Ameal 61466

PPR Working Paper Series

	Title	Author	Date	Contact for paper
WPS218	Public Finance, Trade and Development: The Chilean Experience	Vittorio Corbo	July 1989	A. Oropesa 61758
WPS219	Rural Credit in Developing Countries	Avishay Braverman J. Luis Guasch	June 1989	C. Spooner 37570
WPS220	Capacity Building for Policy Analysis	Samuel Paul David Steedman Francis X. Sutton	July 1989	E. Madrona 61712
WPS221	How Does Uncertainty About the Real Exchange Rate Affect Exports?	Ricardo J. Caballero Vittorio Corbo	June 1989	A. Oropesa 61758
WPS222	Why Stabilisation Policies in Zambia Did Not Succeed	Christopher Colclough		
WPS223	Overvalued and Undervalued Exchange Rates in An Equilibrium Optimizing Model	Jose Saul Lizondo		
WPS224	The Economics of the Government Budget Constraint	Stanley Fischer	May 1989	S. Fischer 33774
WPS225	Targeting Assistance to the Poor: Using Household Survey Data	Paul Glewwe Oussama Kanaan	June 1989	B. Rosa 33751
WPS226	Inflation and the Costs of Stabilization: Historical Cases, Recent Experiences and Policy Lessons	Andres Solimano		
WPS227	Institutional Reforms in Sector Adjustment Operations	Samuel Paul		
WPS228	Economic Performance of Developing Countries in the 1980s	Robert Lynn F. Desmond McCarthy		
WPS229	The Effect of Demographic Changes on Saving for Life-Cycle Motives in Developing Countries	Steven B. Webb Heidi Zia	July 1989	E. Khine 61765
WPS230	Unemployment, Migration and Wages in Turkey, 1962-1985	Bent Hansen	July 1989	J. Timmins 39248
WPS231	The World Bank Revised Minimum Standard Model	Doug Addison	May 1989	J. Onwuemene-Kocha
WPS232	Women and Food Security in Kenya	Nadine R. Horenstein	June 1989	M. Villar 33752
WPS233	Public Enterprise Reform in Adjustment Lending	John Nellis	August 1989	R. Malcolm 61708