STATE-OWNED ENTERPRISES REFORM

IEG Independent Evaluation Group | WORLD BANK GROUP World Bank • IFC • MIGA

FACTORS OF SUCCESS

State-owned enterprises (SOEs) play a major role in many developing and emerging economies as vehicles to achieve economic, social, and political objectives. SOEs deliver and extend access to services, fill gaps in markets, develop key sectors and regions, and provide employment. However, SOEs' mixed institutional mandates and their political importance often pose performance, financial and governance challenges.

Weak control of corruption lowers the probability of success of all major SOE reform interventions. By contrast, **competition generally enhances SOE performance** and the success of ownership and regulatory reforms.

Based on these findings, a recent IEG evaluation offers two recommendations for the World Bank Group (WBG)

Selectivity regarding corruption and competition: The World Bank Group should adopt a more selective approach toward SOE engagement in countries with weak control of corruption, either focusing first on public governance or actively mitigating corruption risks. Next, given the importance of competition, the Bank Group should gear up capacity to do more competition analysis, so it can select for reforms under competitive conditions or establish mitigating measures.

The WBG should **apply the Maximizing Finance for Development and its embedded Cascade approach for SOE reform.** This involves coordinating across WBG institutions to consider the full range of private sector solutions, including ownership reform and privatization.

THE REPORT ALSO HIGHLIGHTS FACTORS ASSOCIATED WITH SOE REFORM INTERVENTIONS

FACTORS *NOT* DIRECTLY CONTROLLED BY THE WORLD BANK GROUP

GOVERNMENT COMMITMENT

In multiple countries, government commitment was a key driver of reforms to expand electricity supply and access and of state-owned bank reform. When inconsistent, government commitment hindered results.
SEE COUNTRY EXAMPLES

COORDINATION AMONG DONORS

Coordination among donors contributes to effectiveness, allowing donors to work in complementary support of reform and leverage one another's resources and influence.
SEE COUNTRY EXAMPLES

GOVERNMENT INSTITUTIONAL CAPACITY AND COORDINATION

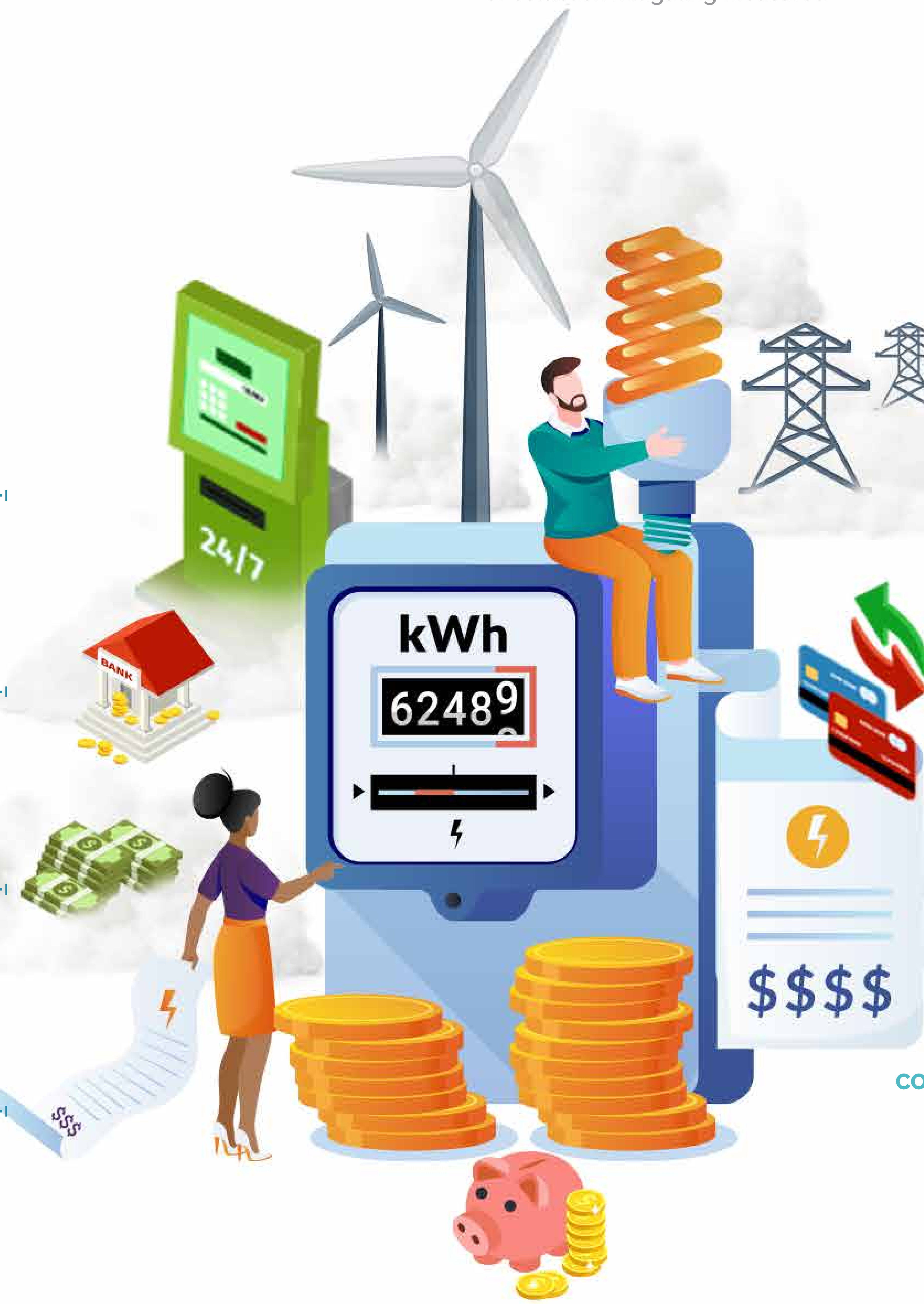
Strong public sector institutional capacity aids development effectiveness in SOE reform projects. Weak government institutional capacity can obstruct project effectiveness.
SEE COUNTRY EXAMPLES

POLITICAL ECONOMY

Political economy factors influencing projects include shifts in commitment arising from political considerations, opposition from vested interests, and political difficulties caused by electoral cycles and regime change.
SEE COUNTRY EXAMPLES

EXTERNAL SHOCKS

External shocks, whether natural or human made, can create opportunity by compelling action, but they can also hinder reforms.
SEE COUNTRY EXAMPLES



FACTORS DIRECTLY CONTROLLED BY THE WORLD BANK GROUP

PROJECT DESIGN

Complex design undermines project effectiveness. Choosing the right instrument in response to country needs and combining financing with technical assistance can lead to success. Interventions should also be flexible to adapt to local context and shocks.
SEE MORE ABOUT PROJECT DESIGN + COUNTRY EXAMPLES

SUPERVISION

Interventions are more likely to be successful when Bank teams have a strong local presence, the necessary skills, and there is continuity in project teams and supervision.
SEE MORE ABOUT SUPERVISION + COUNTRY EXAMPLES

M&E

Strong M&E frameworks contribute to project success when they have clear statement of objectives, well-specified actions, clear and monitorable outcome indicators, baseline and target values, and sources of information for tracking progress.
SEE MORE ABOUT M&E + COUNTRY EXAMPLES

SEQUENCING AND COMPLEMENTARITY

Sequential and complementary engagements, involving financing and technical and analytic support that build institutional and physical capacity and trust, can aid success and carry reform momentum through difficult periods.
SEE MORE ABOUT SEQUENCING AND COMPLEMENTARITY + COUNTRY EXAMPLES