



Privatization of SOEs a Shift from Protectionism and a Factor of Economic Growth

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ABSTRACT: In the framework of economic development, we argue that privatization of State Owned Enterprises (SOEs) is unarguably one of the gateways to succeeding in economic growth. It provides the basis for perfect market competition, promoting employment, reducing government expenditure burden on its budget, promoting employment growth and provides efficient services, boost innovation and the technological revolution of especially developing countries which is an undisputable evidence for economic growth seen for example in Asia and China to be specific. China and a good number of countries with perfect market structures, early economic successes can be largely accredited to privatization of their underperforming SOEs model of promoting economic growth. In this article, we will attempt to draw the attention of readers on the conjectural background of privatization of SOEs, its effects in promoting economic growth and strategies of its implementation drawing from the experiences of other countries. We used descriptive analysis approach to describe the facts and effects about the significance of privatization of SOEs in economies that are opening up or still moving up the economic development ladder. The paper also draws lessons from developed economies like the US where privatization is a symbol of a capitalist and free market society, although focusing on developing countries with specific reference to Sierra Leone, bench marking the case of China. We discovered that privatization helps government save more and improve efficiency largely through competition that motivates development as well as innovation.

KEY WORDS: Economic growth, Employment growth, Efficient services, Innovation, Privatization, Perfect market competition, Perfect market structures, State Owned Enterprises,

1. INTRODUCTION

Do the privatization of SOEs promote economic growth? The purpose of this paper is to examine the effect of privatization of SOEs in promoting economic Growth. There is growing misconception among various sections of the society and economies in developing countries that privatization of SOEs do not promote economic growth and is responsible for depriving the natives of these countries of jobs and affordable goods and services. There is also the perception that the privatization of SOEs brings innovation that indigenous companies will not be able to compete with Foreign Companies such as FDIs and to a greater extent loss of expected revenue by government from the privatized state owned enterprises. This paper will argue that privatization of State Owned Enterprises (SOEs) promote economic growth and as (Cheung Yuen Mei 2014) puts it, privatization shrink government budget, raise government revenue (e.g. economic downturn) and reduce risk & cost.

Evidences abound of the positive economic effects of privatization of SOEs in many countries for example China a developing country with the second largest economy in the world after the US, experienced encouraging economic impact since the privatization of some of its SOEs. According to Yue-Chim and Richard Wong China's economic reforms thrived in decentralizing or devolving decision making power and control down to the local level. This decentralization has legitimize a vibrant non-state sector to develop alongside the state sector enterprises. They maintained that the growing out of the state plan explains much of China's outstanding economic growth. Nevertheless, efficiency in the state sector enterprises has experienced little development. Besides, it is of their view that, recurrent macroeconomic imbalances and inflation can be traced to the state policy to provide low-cost credit to cover the huge losses accounted for by state-owned enterprises. Efforts to relax controls to cool down an overheated economy continually have stopped the momentum for economic reform. The failure to introduce banking and financial reforms threatens future growth of the non-state sector. The success of such reforms depends disparagingly on the determinations to re-structure and



privatize state-owned enterprises (SOEs). Growing out of the state plan call for officials to adopt or implement, an unambiguous policy to halt the encouragement of losses in the state owned enterprises (SOEs) (WONG, 1995).

Privatization is simply the transfer of management and administration of State Owned Enterprises (SOEs) to the private sector. Privatization create room for less government interference and political pressure in the management and administration of the SOEs, efficiency and effectiveness in terms of service delivery mostly at relatively high cost. However, there are evidences that, privatization of SOEs in the west (developed countries), Africa, Latin America and Asia have triggered many positive changes in the economic growth of these countries in a way, creating openness to the world economy at least in respect to trade and foreign direct investments (FDIs).

1.2 Emerging Questions

In examining the Chinese and Sierra Leone case of the effect of privatization of SOEs and upon following the narrative, leave the researchers with some key questions. We described the phenomena of privatization, and attempted to give an answer to the following questions:

1. Do privatization of SOEs promote efficiency?
2. Do privatization of SOEs promote high employment growth?
3. Do privatization of SOEs promote labour productivity?
4. Do privatization of SOEs promote more savings for government?

2. PRIVATIZATION OF SOEs A SHIFT FROM PROTECTIONISM

Privatization is usually a very good tool for government to reduce bureaucracy and involvement in business to encourage perfect market competition and shift government focus from too political to market economic development orientation.

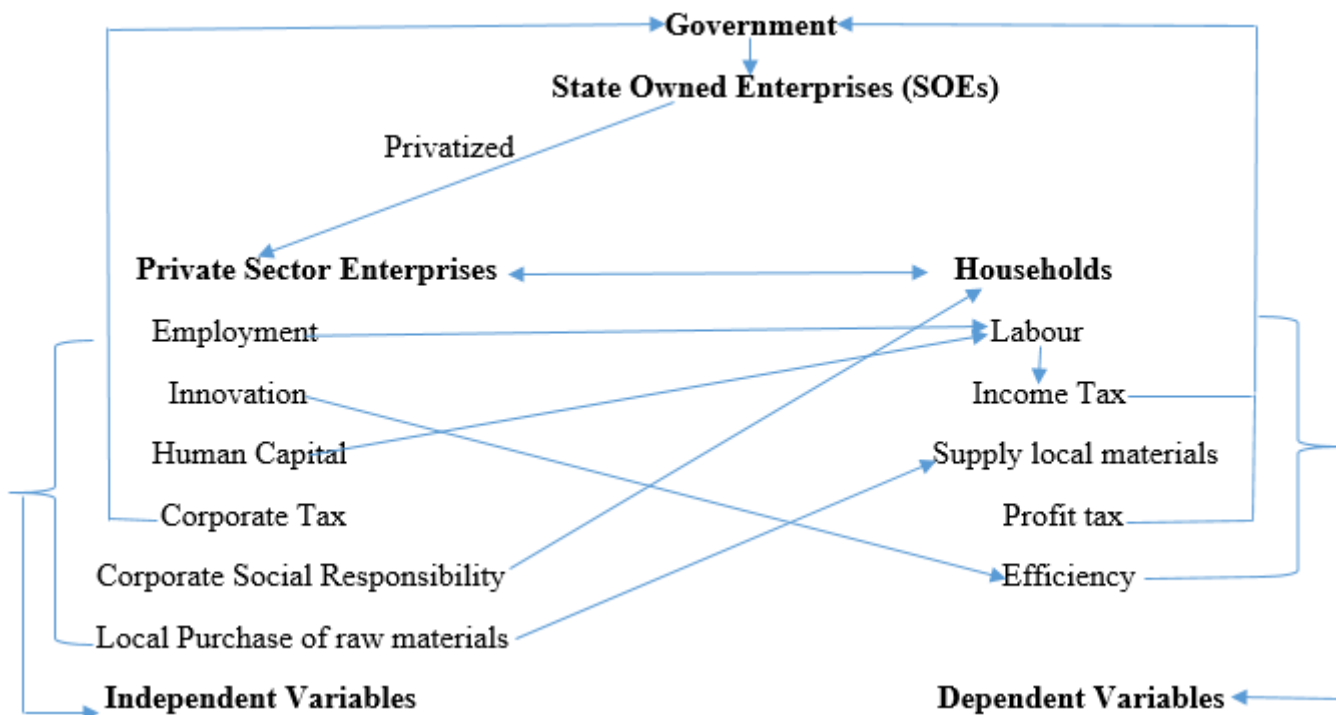
A good number of countries particularly those that have communist penchants uphold the belief that their governments should embark on privatization. The governments should also prioritise those sectors or SOEs that are inefficient or are not performing as expected and hold onto sectors that are profitable and provides essential services to the public such as education, oil and natural gas, water, electricity and the list continues. This passion is not unconnected with the sympathies they have for employees in terms of job loss and speculated hiking prices of essential goods and services once the SOEs goes to private hands. The fact remains, some communist countries are of the opinion that privatization is crucial for economic development. However, some schools of thought perceived privatization to create monopolistic tendencies by individual market players especially on essential services aforementioned such as education, oil and natural gas, water and electricity and are concerned that, government must ensure that those SOEs that are viable are not listed for privatization or privatised.

Consequently, other schools of thought uphold the view that government should hands off on business responsibility and concentrate on those productive and critical issues that brings development to the state. Considering the overwhelming importance of government deregulating very critical market factors for economic development, we uphold the view that, due to free or perfect competition, market players can provide varied and quality goods and better services.

2.1 Theoretical and Conceptual Context

It is important to note that there are some elusive but very central differences between two approaches in the economic theory of privatization and apart from the other conservative view of privatization, as an apparatus for adjustment of a three-sector economy, there is a fundamental view of privatization as a reassignment of property rights. Property rights is a very important economic and trade guideline which countries around the world are putting stringent consequences for their violation. For example, China in 2016 review the rules or guidelines on property rights, which should be upheld in the daily economic activities of individuals, groups or companies operating in China. While Sierra Leone is yet to improve on her property rights laws, although few years ago the Anti-Piracy Act was passed into law.

The Figure below illustrates a conceptual framework for the relationship between privatized SOEs and Households in developing countries. It plainly conceptualized that privatization is a function of savings for government, employment for households, improved human capital and efficiency.



Self-conceptualization of the Framework for the evaluation of the effects of privatization in Sierra Leone.

Source: authors' self-conceptualization

2.2 Empirical Evidence of the Positive Effects of Privatization

The empirical evidences of the positive effects of privatization is seen mostly in countries that are moving away from protectionism, have liberalized and opened their markets to the global economy to participate in trade. For example, China since the inception of its reforms in 1978 has moved from planned to a free market economy with the implementation of several reforms starting with agricultural reform and the joining of the WTO, witnessed a continuous and steady upward trend in its GDP growth rate from \$149.541 in 1978 to \$11.065 in 2015.

Although China's GDP per capita growth rate have been unstable overtime with 10.182% in 1978 to 6.376% in 2015 there was an increase of 13.636% in 2007 and steadily decline afterwards. It is expected that there will be an increase in growth rate in the coming years as the plans to privatize more SOEs are on course with a strategic commitment from the Chinese government. This comparison to Sierra Leone is indicated in line with the GDP per capita growth rate from 0.172% in 1978 to -22.291%, in 2015 with a sharp decrease of -18.668% in 1992 and a sharp increase of record high of 20.502 in 2002.

Privatization is a phenomenon promoted by the IMF and World Bank following the poor performance of SOEs mostly in Latin America countries in the late 1970s. Some scholars and researchers who have done papers on privatization are of the view that privatization of SOEs is not the best way of promoting economic growth rather most governments does privatization for political reasons that centres on the ideology of government officials regarding the private ownership of particular products or assets. Scholars like Paul Starr stated, "I generally oppose privatization, even though I favour some specific suggestions that privatization take into consideration. Nevertheless aside from this political conclusion, I consider privatization importantly as a policy drive as well as a development that exhibit every sign of reconstituting key institutional domains of contemporary society" (Paul Starr 1988). However, our argument is that privatization of SOEs promotes economic growth that boils down to economic development and as Adnan Filipovic stated, the practise of privatization can be a good way to bring about major structural change by validating and establishing property rights, which directly create strong individual incentives (Filipovic, 2005). A free market economy largely depends on well-defined property rights in which people make individual decisions in their own interests (Filipovic, 2005).



Furthermore, Filipovic highlighted that, the importance of property rights is captured by economist Hernando de Soto as he states, “Modern market economies generate growth because widespread, formal property rights permit massive, low-cost exchange, thus fostering specialization and greater productivity” (1996). Along with creating strong incentives that induce productivity, privatization may improve efficiency, provide fiscal relief, encourage wider ownership, and increase the availability of credit for the private sector. China’s recent experience suggests that policies designed to expand and support the scope of decentralized market-based restructuring of ownership rights, even under conditions that differ extensively from the ideal traditions underlying the Coase Theorem, prove more helpful than direct official involvement (Rawski, 2002).

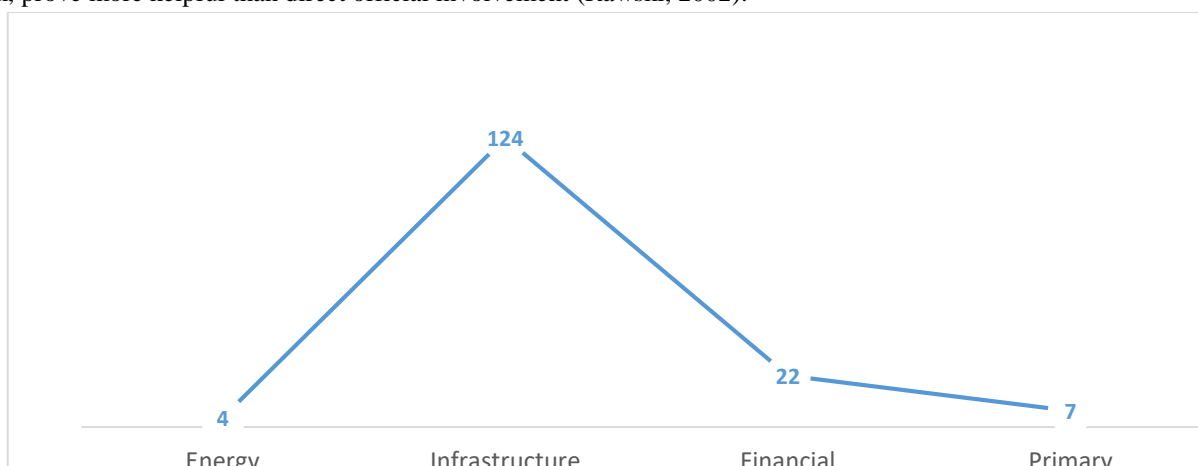


Figure 1. Sectors and Number of Chinese SOEs Privatized from 2000 - 2008

Source: World Bank national accounts data, and OECD National Accounts data files

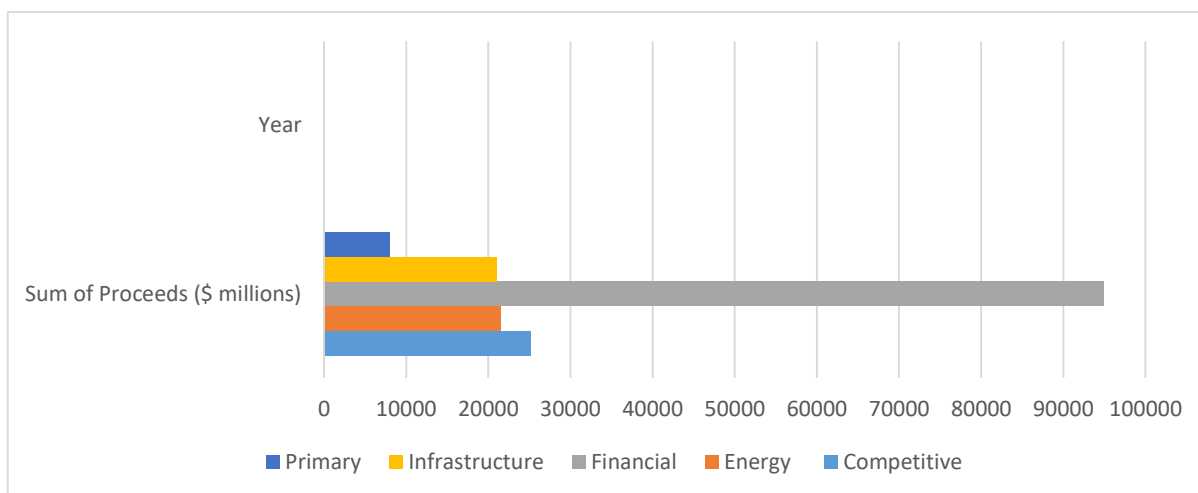


Figure 2. Company Sector and Sum of Proceeds (\$ millions) from 2000 – 2008

Source: World Bank national accounts data, and OECD National Accounts data files

Figures 1 and 2 above gives information on the SOEs sectors and proceeds in millions of dollars privatized by the Chinese government from 2000 to 2008 using the gradualism model of reform. It is worthy to note that China has made considerable progress in its liberalization drive of the market economy, creating healthy computation through privatization and other market friendly policy shifts.

2.3 The Concept of Privatization

According to (Mei, 2014) privatization is the Transfer of public assets, operations or activities to a private organization. Many times, some people tend to interchange the concept of privatization to that of its meaning and it will be useful to give a clarification



between the two in terms of meaning and perspective. Privatization is one of the deregulatory policy functions of a government and involves the transfer of management and administration of SOEs to private ownership. As Puja Mondal puts it in an Article he shared, "privatization is a process of transferring the ownership of business from the public sector to the private sector and a deregulation by the state of individual investment." Privatization is a conventional business concept practiced in many countries and while it has its advantages, it has not proven well in in some countries and hence the need for proper mechanism in its implementation. From a reassignment of property rights perspective, privatization of the ownership of SOEs and competitive markets are very important issues especially when talking about ownership to be distinct from market structures, this could be unrelated to the fact that efficiency and effectiveness are only possible when these enterprises are in private hands. However, ownership does not really matter if privatization creates natural monopolies and worse off if control mechanisms are not put in place to monitor the performances of private companies in compliance with provision of efficient services without exploitation or abuse of the citizens of a country. According to Paul Starr, "The Meaning of Privatization," Yale Law and Policy Review 6 (1988), "Private ownership and competitive markets are normally thought to go hand in hand, but the two issues of ownership and market structure are often separate. For the economist devoted to both, the question then arises as to which object of affection is more beloved: private ownership or competition".

The concept of privatization has major economic implications that have to do with a myriad of market factors that have direct and indirect relationship with the economic welfare of the state and citizens. Moreover, such a market failure will have negative economic consequences and in most cases, will require the intervention of the state to put measures in place to stabilize or revitalize the situation by way of bailout or otherwise for optimum market performance.

The concept of privatization has a flavour of public empowerment and this phenomenon is precedent in so many countries that have done privatization of their SOEs and especially judging from the success stories of its implementation. In most cases, the public or indigenous companies are encouraged with priority by the privatizing entity of government to invest since often foreign companies are known for buying over SOEs and for certain countries, this is based in compliance with their local content policies although this priority is quite different from property rights.

Privatization is a structural adjustment programme that is considered an efficient way of lessening government burden of running SOEs particularly when many sectors of society hold the view that government is not a "good businessman". Corruption, lack of proper human development or capacity coupled with ineffective policies and institutions has crippled many state institutions or SOEs and hence the World Bank and IMF have been promoting privatization since the 1980s and deregulation policies to promote trade and economic growth. According to Paul Starr, "The Meaning of Privatization," Yale Law and Policy Review 6 (1988), "A final theory justifying privatization holds that privatization is desirable for its likely political effect in deflecting and reducing demands on the state. In the 1970s, some critics suggested that the Western democracies were suffering from an "overload" of pressure, responsible for excessive spending and poor economic performance. In that framework, privatization represents one of several policies encouraging a counterrevolution of declining expectations. In a similar vein, Stuart Butler of the Heritage Foundation has argued that privatization can cure budget deficits by breaking up the kind of public spending coalitions described by public choice theory. Privatizing government enterprises and public services, in this view, will redirect aspirations into the market and encourage a more entrepreneurial consciousness". An argument we subscribe to judging from the fact that apart from ownership private institutions have proven to have efficient business strategies and the framework required to maximize the potential of shareholders' value and the economy by paying taxes to government, providing meaningful employment opportunities, technology transfer, improving innovation and delivering efficient services to the receivers.

Consequently, there are disadvantages associated with privatization, which the institution responsible for privatization of listed government SOEs should have the capacity to handle. These disadvantages should be handled from the inception of the negotiations, as natural monopoly of certain essential services by the private sector will be suicidal to government especially with a situation of hiking prices that have a negative effect on the wellbeing of the citizens.

2.4 The Effects of Privatization of SOEs

It is no hidden secret that privatization in most cases is accompanied with many positive effects both in the medium and long term. Most State Owned Enterprises (SOEs) in various countries especially developing or transitional countries were not performing or being very productive for several reasons ranging from socio-economic difficulties to socio-political challenges. The majority of the running cost of most SOEs in developing countries like Sierra Leone are going towards staff costs. This indicates that SOEs are



either over staffed with tall organizational structures of unnecessary layers or saddled with flamboyant allowances and benefits that overshadows labour productivity.

Labour reorganisation is usually done by private companies ones they take over state enterprises in view of increasing efficiency and labour productivity growth. It is important to also note that much as privatization provides better paid jobs, it is always a daunting task by governments to privatize state enterprises as their decisions are normally accepted by a good number of citizens with grandiloquence especially when they feel threaten that they are going to lose their jobs. The labour aspect in the privatization of SOEs is one of the most critical aspect of the process and in most cases required many negotiations between governments and labour unions on the issues of benefits and social nets in a bid to avoid potential litigations in the industrial or labour tribunals. In their paper, (Yundan Gong et al 2006) suggested that in controlling for output growth there is some evidence that domestic privatisation leads to contemporaneous reductions in employment growth compared to firms that did not undergo an ownership change. By contrast, there is some evidence that foreign acquisitions show higher employment growth in the post-acquisition period than non-acquired SOEs. Their point of contrast in their suggestion supports our argument that privatization much as is considered to reduce jobs, promotes high employment growth.

According to (Shahid Yusuf et al 2005) “the medium- and longer-term gains from privatization far outweigh costs of adjustment and that the precise mechanics of privatization have little effect on outcomes”. they argues that, “privatization of large industrial SOEs and market-based consolidation of small and medium-sized enterprises will be necessary to transform them into competitive and innovative world-class firms” This is true in the case of China where many SOEs privatized have been transformed to be efficient and productive with high level of technology and innovation.

2.5 The Strategies of Privatization

Much as there are different forms of privatization, the method or strategy of privatization depend on the situation from country to country. Giving the notion of (Yuan, 2012) Privatization takes a variety of forms, including reorganization, mergers and takeovers, leasing and management contracts, and conversion to shareholding companies. Some SOEs are completely privatized, while others are done so only partially. In the latter case, some of the partially privatized SOEs are still controlled by the government even after privatization. However, this situation or mode of privatization is not peculiar for example to China, going back to the period 1990 when privatization of SOEs started in China. According to (TODO Yasuyuki and YUAN Yuan 2012) “SOEs in China have been gradually privatized since the early 1990s, as the central government started to be concerned about large debts of SOEs. In 1995, the central government endorsed the “retain the large, release the small” (Zhua Da Fang Xiao) policy, and since then small and medium SOEs are more likely to be privatized, whereas larger SOEs remain state-owned due to their economic and strategic importance. Examples of such large SOEs include China Faw Group Co., Ltd and Dongfeng Automobile Co., Ltd in the automobile industry, China Petrochemical Co., Ltd in the petrochemical industry, and State Grid Corporation of China in the power industry”.

While in the case of Sierra Leone, the Chinese model of “retain the large, release the small” was not adopted since almost all the SOEs listed for privatization have been privatized by the NCP and the government of Sierra Leone being owner using rapid reform method compared to the gradualism method adopted by China in its privatization drive. The SOEs listed included, the Sierra Leone Telecommunications Company, National Power Authority which is now operated by power generation and distribution companies, the security services of the Lungi International Airport (the only airport in Sierra Leone) operated by a British Company, West Minister. In addition, the ground handling of the airport was also privatized to a French Company. However, five major components of the Sierra Leone Ports Authority, which include:

- 1) The handling of containerize cargos,
- 2) Vehicles,
- 3) Part of the operations of the break and bulk cargos, to Freetown Terminal Limited (French Company and subsidiary of Bolloré Africa Logistics),
- 4) Stevedoring services and part of the operations of the break and bulk cargos to Nectar Sierra Limited, a British Company and
- 5) Marine Slipway (Vessel Maintenance Yard) to Holland Shipyards a Dutch Company. The mode of privatization adopted by the Sierra Leone government through the National Commission for Privatization (NCP) included concession, leasing and the issuing of Licences in close intervals of few years. On the other hand, the Chinese case, as mentioned, the “Gradualism approach” was adopted to privatize SOEs over a long period of time and those that are doing well are yet to be privatized. Nevertheless, there are methods



or strategies of privatization, which could be useful to both China and Sierra Leone depending on the situation, and performance of SOEs.

In his book, Privatization: An Analysis of the Concept and Its Implementation in Thailand (DHIRATAYAKINANT, 1989) stated that, privatization does not simply mean the selling-off of public enterprises to the private sector. Kraiyudht further mentioned the following alternatives of privatization apart from other forms available: “(1) government withdrawal of services; (2) divestiture; (3) joint public-private ventures; (4) contracting out; (5) franchising; (6) farming out; (7) leasing; (8) voucher-and-grant; (9) user charges; and (10) liberalization”. According to Kraiyudht, “the form of privatization to be adopted depends on the activity to be privatized and the particular circumstances of individual cases and to avoid unnecessary confusion and conflict in this important area of reform, there is an urgent need for an appropriate conceptual framework. Thus, he proposed five privatization strategies to be examined and proposed for adoption. They are:

Strategy 1: Minimum intervention and improved competition, through liberalization;

Strategy 2: Minimum public production, through contracting out, franchising, farming out, leasing, and voucher-and-grant;

Strategy 3: Load shedding, through government withdrawal of services;

Strategy 4: Use of commercial principles, through user charges; and

Strategy 5: Transfer of ownership, through divestiture and joint public-private ventures.

The World Bank as one of the several macroeconomic policy prescriptions to revive the creping economy stimulated Sierra Leone’s privatization drive. However, no doubt most of Sierra Leone’s SOEs were underperforming mainly because of numerous reasons politically motivated. The seasons range from government interference into the management and operations of such SOEs, which largely brought about poor economic growth over the years couple with other macroeconomic shocks such as the 11 years rebel war that destroyed every government facets and that of the ordinary people added to the inexpressible death toll.

China’s privatization of SOEs has brought about massive changes in terms of efficiency and productivity in their operations in turn promotes economic growth and add to the overall development of the Chinse economy.

In almost the same period China commenced privatization of its SOEs, Sierra Leone had listed most of its underperforming SOEs. The SOEs included the National Telecommunications Company, Five (5) major components of the operations of Sierra Leone Ports Authority, major operations of the International Airport, National Power Authority, etc for privatization through an Act of Parliament that saw the establishment of the National Privatization Commission to implement and supervise the privatization process.

3. METHODOLOGY

Below is a presentation of relevant time series data relating to the issues of demography, and economic variables in Sierra Leone spanning from 2006 to 2020. The trend line in Figure 1 below indicates that the population of Sierra Leone is increasing at an exponential rate and as at 2020; the population of the country was over 7 million inhabitants.

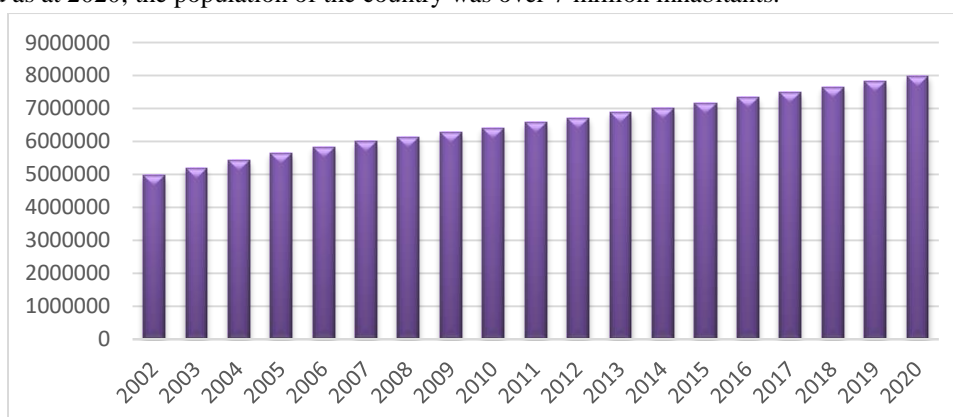


Figure 1. Sierra Leone’s Total Population

Source: World Bank Data Bank, 2022



Although the total population of Sierra Leone keep increasing every year, the time series trend in figure 2 below indicate that the population growth rate is only decreasing at 2% annually. However, population growth rate is an important variable when it comes to investment by the private sector in certain essential services such as provision of clean and affordable drinking water, electricity, transportation, communication etc. Although political and sociopolitical elements seem to be less influential than economic concerns, the population growth factor of a country influence investors to determine “where to invest”, “when to invest” and “how much to invest”.

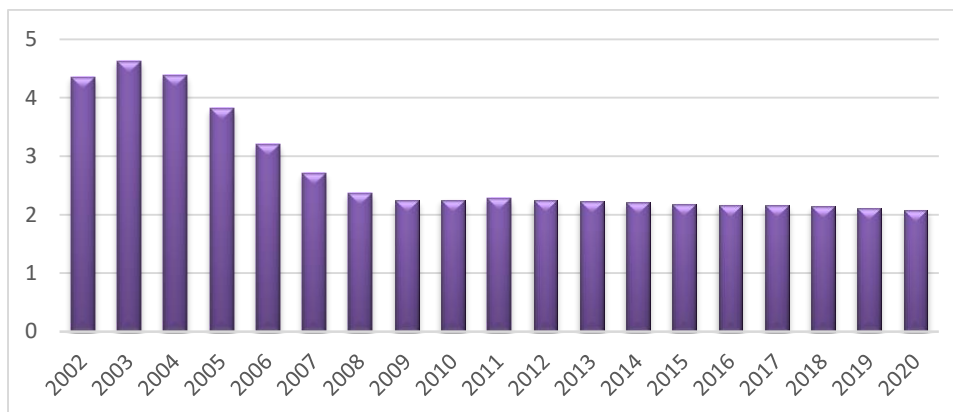


Figure 2. Annual Population Growth Rate

Source: World Bank Data Bank, 2022

Figure 3 below presents data on people using at least basic drinking water as a percentage of the population of Sierra Leone. Figure 3 shows that the number of people using at least basic drinking water increased by 1% annually from 2017 to 2020. It is very obvious that Sierra Leone over the years have been experiencing challenges in the supply of pipe burn drinking water especially in the capital city and other district head quarter towns of the country. Nonetheless, this sector have not been privatized because of its nature and political effects it may have on the government and the very reason the government of Sierra Leone established the Sierra Leone Water Company to reduce the deficit in the supply of water by the Gumma Valey Water Company that have been performing little bit above water.

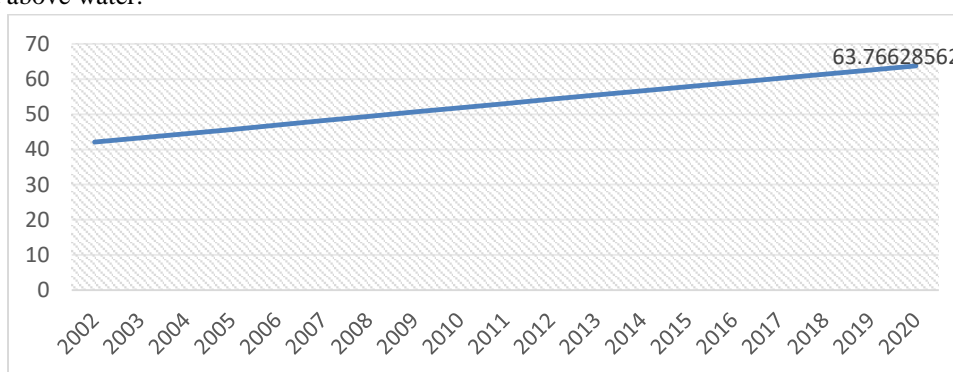


Figure 3. People Using at Least Basic Drinking Water (% of Population)

Source: World Bank Data Bank, 2022

Nevertheless, Figure 4 below indicates that the number of people using at least basic drinking water as percentage of urban population is much higher compared to rural population regardless the fact that most of the population of the country lives in the rural communities. There have been an increase of 1% or 2% annually of the number of people using at least basic drinking water service by the rural population of Sierra Leone, while a 1% annual increase by urban population.

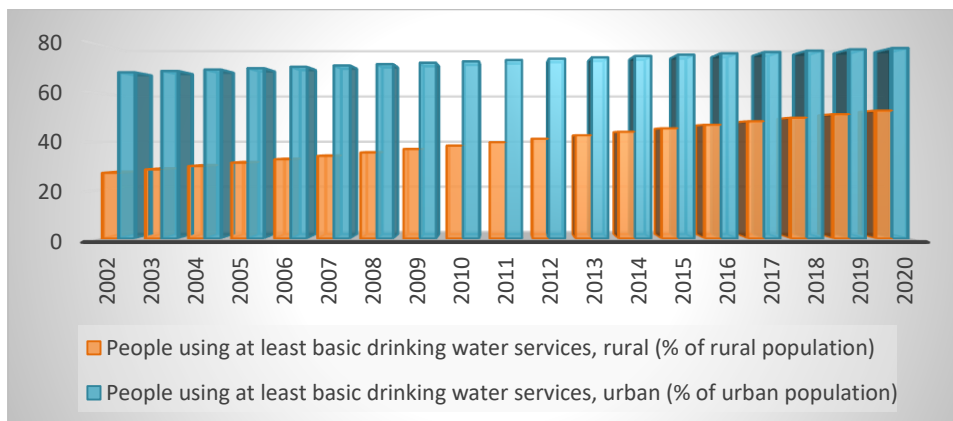


Figure 4: People Using at Least Basic Drinking Water Service, Rural and Urban (% of Rural and Urban Population)

Source: World Bank Data Bank, 2022

Sierra Leone over a decade ago turned on the lights from the Bumbuna hydropower that supplies a good chunk of electricity to the capital Freetown in the raining season aside from the thermal energy supply from independent electricity power service providers. However, the country faces huge electricity challenges in the dries when the Bumbuna Hydropower dam could not hold enough water to turn the turbines that propels the system that produces electricity and as shown in Figure 6 below, renewable electricity output (% of total electricity output) fell by 60% in 2018 from 65% in 2014. Therefore, few years ago, the government of Sierra Leone through the Ministry of Energy and Water Resources negotiated a deal with Karpower Ship from Turkey to supply electricity to the capital city of Freetown.

Regardless of the various reforms done in the Energy Ministry there are still numerous challenges when it comes to the generation and distribution of electricity especially in the private homes and industrial areas of the city. Nonetheless, by 2018 as shown in Figure 5 below, renewable energy consumption (% of total final energy consumption) increased by 79% from 78% in 2017 and it is obvious that over a decade ago Sierra Leoneans embraced the use of clean energy such as solar energy to reduce the electricity deficit in their homes. It is hoped that when the transmission instalations from the West Africa Power Pool is completed, Sierra Leone would shelve a greater percentage of power outages in the city and a good part of the country will enjoy untrupted power supply. Although Sierra Leone do not use geothermal power and wind energy as yet, biomass energy such as ethanol, hydropower and solar energy are used by government, private homes and corporate institutions like Adax Bioenergy Company to generate claeen energy.

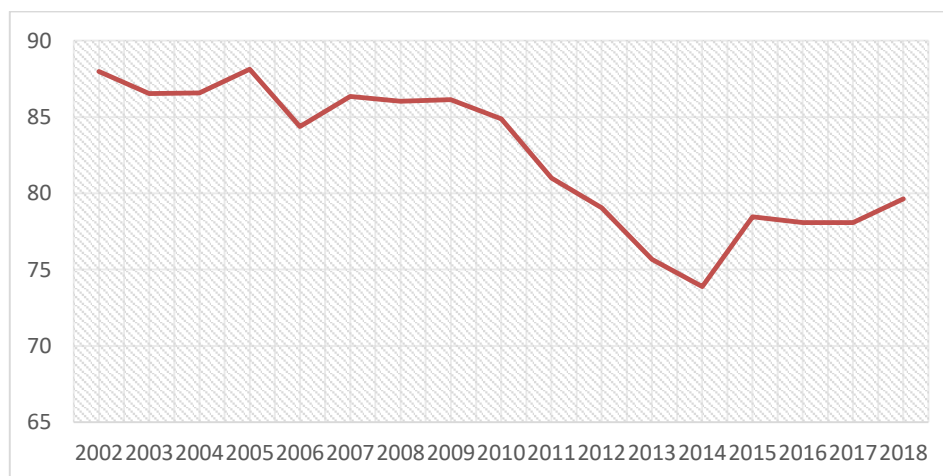


Figure 5. Renewable Energy Consumption (% of total final energy consumption)

Source: World Bank Data Bank, 2022

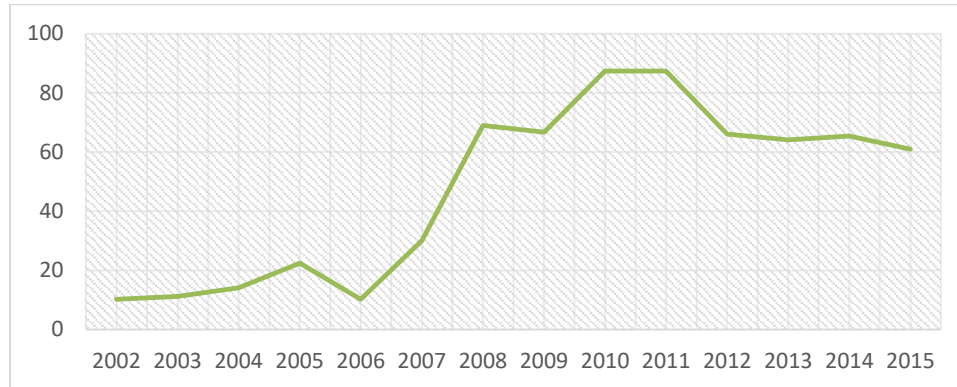


Figure 6. Renewable Electricity Output (% of total electricity output)
Source: World Bank Data Bank, 2022

Few years ago, the municipality of Freetown suffered tremendous sanitation challenges that the local government or the city council in Freetown could not handle and that led to the outsourcing of the issues of sanitation to a private company (MASADA) to clean up the city and maintain dump sites. However, MASADA few years along the line was also faced with enormous financial and operational challenges and had to quit contract. This development, led the central government to established the monthly cleaning exercise implemented by the Freetown city council with billions of Leones spent that did not mirror the services provided. Figure 7 below shows that people using at least basic sanitation services (% of Population) stood at 16% in 2020 and there had only been a 1% from 2018 to 2019. Figure 7 also indicates that use of basic sanitation services in the rural areas of Sierra Leone is not improving when comparing the data from 2014 (8%) to 2020 at 9%, while urban use of basic sanitation services have only improve to 25%, which is low compared to huge waste from households and industries in the city.

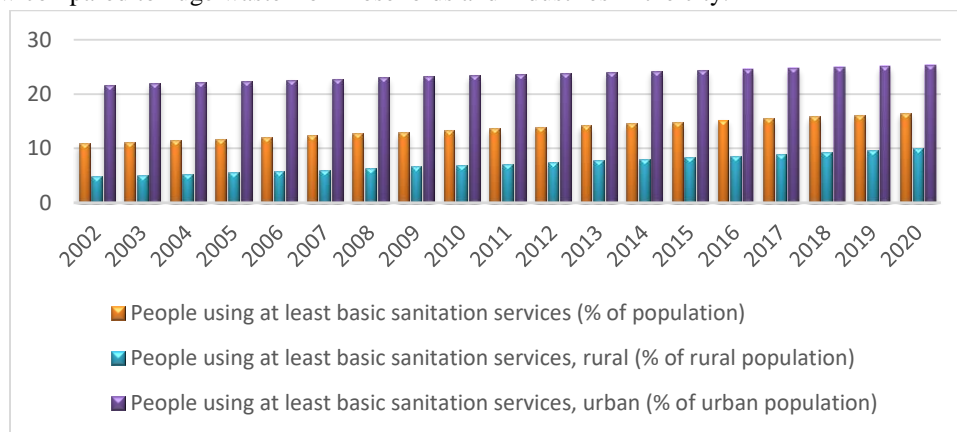


Figure 7. People Using at Least Basic Sanitation Services (% of Population, Rural and Urban Population)
Source: World Bank Data Bank, 2022

Source: World Bank data on Privatization in Developing Countries

4. Results

The following results were obtained from the analysis done on the population growth rate and a sample of essential services that were privatised by the government of Sierra Leone through outsourcing and other methods:

1. The annual population growth rate of Sierra Leone slowly decreased at less than 2% from 2017 to 2020.
2. The government of Sierra Leone could not handle the acute water supply shortages in the city and the number of people using at least basic drinking water is increasing every year. For example, it increased up to 63% in 2020.
3. The use of at least basic drinking water is increasing at a slow rate in the rural communities in Sierra Leone. For example, there had been only a 1% increase from 2019 to 2020.



4. Renewable energy (clean energy) consumption as percentage of final energy consumption slowly increased. For example, there was a 1% increase from 2017 to 2018.
5. Renewable electricity (clean energy) output as percentage of total electricity output decreased by 5% from 2014 to 2015.
6. The use of basic sanitation services was low in both rural and urban areas of Sierra Leone considering the amount of food, material and other wastes generated by households and industries especially in the capital city of Freetown.
7. China as opposed to Sierra Leone adopted and use the gradualism model in privatizing essential services.

Table 1. SOEs Privatized by the Chinese Government from 2000 to 2008

Company Name	Sector	Deal Type	Sub-deal Type
Agualia Bengbu Wastewater	Infrastructure	Concession	Rehabilitate, operate, and transfer
Aluminium Corporation of China (Chalco)	Primary	IPO	A- and H-share
Anshan Panva Gas Company	Infrastructure	Concession	Rehabilitate, operate, and transfer
Bank of Beijing	Financial	IPO	A-shares
Bank of China	Financial	Direct Sale	10% Stake
Bank of Communications	Financial	Direct Sale	20% Stake
Bank of Nanjing	Financial	IPO	A-shares
Bank of Ningbo	Financial	IPO	A-shares
Baoji China Gas Co., Ltd.	Infrastructure	Concession	Build, rehabilitate, operate and transfer
Baotou City Gas Company	Infrastructure	Concession	Rehabilitate, operate, and transfer (80%)
Beijing - Jingtong Highway	Infrastructure	Divestiture	Partial
Beijing Capital Land Ltd	Financial	Divestiture	Partial
Beijing International Airport	Infrastructure	Divestiture	Partial
Cangxi Panva Gas Company	Infrastructure	Concession	Rehabilitate, operate, and transfer
CGE Zunyi Water Treatment Company	Infrastructure	Concession	Rehabilitate, operate, and transfer
Changchun Gas Co. Ltd.	Infrastructure	Divestiture	Partial
Changchun Gas Holding Ltd	Infrastructure	Concession	Rehabilitate, operate, and transfer
Changle County Water Project	Infrastructure	Concession	Rehabilitate, operate, and transfer
Changsha Second Wastewater Treatment Plant	Infrastructure	Concession	Rehabilitate, operate, and transfer
Changshu Xinghua Port Co. Ltd.	Infrastructure	Greenfield project	Build, own, and transfer
Changzhou Tap Water group	Infrastructure	Lease	Lease contract
Chengdu City Gas Company	Infrastructure	Concession	Rehabilitate, operate, and transfer
Chengdu Cogeneration Project	Infrastructure	Divestiture	Partial
China Blue Chemical Ltd.	Competitive	Public Offering	Partial



China CITIC Bank Corporation	Financial	IPO	(blank)
China Coal Energy Co, LTD	Primary	Public Offering	Partial (29%)
China Coal Energy Co. Ltd.	Primary	IPO	A shares
China Communications Construction Company	Competitive	Public Offering	Partial (24.5%)
China Communications Services	Competitive	Public Offering	(blank)
China Construction Bank	Financial	Direct Sale	9% Stake
China Construction Bank Corporations	Financial	IPO	(blank)
China Life Insurance Co Ltd	Financial	Divestiture	Partial
China Life Insurance Company	Financial	IPO	(blank)
China Merchant Bank	Financial	Public Offering	Partial
China Molybdenum Co., Ltd.	Competitive	IPO	H-shares
China National Building Material Co, Ltd.	Competitive	Public Offering	Partial (19%)
China National Foreign Trade Transportation(Group)Corp {Sinotrans }	Competitive	Public Offers	(blank)
China National Materials Co., Ltd	Competitive	IPO	H-shares
China Netcom	Infrastructure	Concession	Rehabilitate, operate, and transfer
China Pacific Insurance	Financial	IPO	A-shares
China Pacific Life Insurance	Financial	Direct Sale	25% Stake
China Power International Development Ltd.	Infrastructure	Divestiture	Partial
China Railway Construction Corporation Ltd.	Competitive	IPO	A shares, H shares
China Railway Erju Co. Ltd	Infrastructure	Divestiture	Partial
China Railway Group	Competitive	IPO	A-shares
China Resources Power	Infrastructure	Private Sale	(blank)
China Shenhua Energy Co	Energy	IPO	A-shares
China Shipper Container Lines	Competitive	IPO	A-shares
China South Locomotive & Rolling Stock Corporation Ltd.	Competitive	IPO	A shares, H shares
China Telecom	Infrastructure	Private Sale	(blank)
China United Communications	Infrastructure	Divestiture	Partial
China Water Affairs Investment Co. Ltd	Infrastructure	Divestiture	Partial (19.4%)
Chongqing Machinery & Electric Co. Ltd.	Competitive	IPO	H shares
Chongqing Water Affairs	Infrastructure	Divestiture	Partial
Chongqing Wujiang Electric Power Co.	Infrastructure	Divestiture	Partial
Chongqing Yubei District Natural Gas Company Ltd	Infrastructure	Concession	Rehabilitate, operate, and transfer (97.6%)



Chongqing Yujiankou Hydroelectric Power Plant	Infrastructure	Concession	Rehabilitate, operate, and transfer
CLP Guohua Power Co. Ltd.	Infrastructure	Divestiture	Partial
Dalian Port (PDA) Co Ltd	Infrastructure	Public Offering	Partial
Danzhou City Water Distribution Network Project	Infrastructure	Concession	Rehabilitate, operate, and transfer (100%)
Daqin Railway Co Ltd.	Infrastructure	Public Offering	Partial
Dayia Panva Gas Company	Infrastructure	Concession	Rehabilitate, operate, and transfer
Fujian Expressway Devt. Ltd.	Infrastructure	Concession	Rehabilitate, operate, and transfer
Fujian Mindong Electric Power Co.	Infrastructure	Divestiture	Partial
Fushun City Gas Project	Infrastructure	Concession	Build, rehabilitate, operate and transfer
Fuzhou CWC Water Company Limited	Infrastructure	Concession	Rehabilitate, operate, and transfer
Gaoan City Water Affairs Group Ltd.	Infrastructure	Concession	Rehabilitate, operate, and transfer (60%)
Guangdong Xinhui Water Affairs Co., Ltd.	Infrastructure	Divestiture	Partial (39.9%)
Guangrao County Wastewater Treatment Plant	Infrastructure	Concession	Rehabilitate, operate, and transfer
Guangshen Railway Co Ltd	Infrastructure	Public Offering	Partial
Guangxi Guigan Electric Power	Infrastructure	Divestiture	Partial
Guangxi Wuzhou Communications Co. Ltd.	Infrastructure	Divestiture	Partial
Guohua Hulunbeier Wind Farm Project phase I	Infrastructure	Concession	Build, rehabilitate, operate, and transfer
Haerbin Zhongqing Gas Company Limited	Infrastructure	Concession	Rehabilitate, operate, and transfer (48%)



Haikou City No. 1 Water Affairs Company Limited	Infrastructure	Concession	Rehabilitate, operate, and transfer (49%)
Hainan Meilan Airport	Infrastructure	Public Offers	(blank)
Hangzhou Xiaoshan International Airport	Infrastructure	Divestiture	Partial
Hanzhong City Xingyuan Water Supply Company Ltd	Infrastructure	Concession	Rehabilitate, operate, and transfer (100%)
Hebei Wastewater Treatment Plant	Infrastructure	Greenfield project	(blank)
Henan Jiaozuo Wastewater Treatment Plant	Infrastructure	Concession	Rehabilitate, operate and transfer
Henan Shangqiu Wate Treatment Plant	Infrastructure	Concession	Rehabilitate, operate and transfer
Henan Wastewater Plants	Infrastructure	Concession	Rehabilitate, operate, and transfer
Hohhot Water Development Project	Infrastructure	Concession	Rehabilitate, operate, and transfer
Huadian Power International	Infrastructure	(blank)	(blank)
Huaian Xinao Gas Company Limited	Infrastructure	Divestiture	Partial
Huaxia Bank	Financial	Direct Sale	10% Stake
Hubei Changyuan Electric Power Development Co.	Infrastructure	Divestiture	Partial
Hubei WuAn Peak Heat and Power Company Ltd.	Infrastructure	Divestiture	Partial
Huhhot Gas Project	Infrastructure	Concession	Rehabilitate, operate and transfer
Huizhou Port	Infrastructure	Concession	Rehabilitate, operate and transfer
Hunan Nonferrous Metals Corporation, Ltd	Primary	Public Offering	Partial
Industrial & Commercial Bank of China	Financial	Direct Sale	10% Stake
Industrial and Commercial Bank of China	Financial	Public Offering	Partial (15%)
Jiangsu Jiangdong Group Ltd.	Competitive	Divestiture	Partial
Jiangxi Ganyue Expressway Co.	Infrastructure	Divestiture	Partial



Jiangxi Yingtan City Water Supply Co. Ltd.	Infrastructure	Concession	Rehabilitate, operate, and transfer
Jianyang Panva Gas Company	Infrastructure	Concession	Rehabilitate, operate, and transfer
Jilin Liaoyuan Wastewater Treatment Plant	Infrastructure	Concession	Rehabilitate, operate, and transfer
Jilin Qifeng Fiber Co, Ltd	Competitive	Public Offering	Partial
Jingtang International Container Terminal	Infrastructure	Concession	Build, rehabilitate, operate, and transfer
Jingzhou City Water Treatment Plant	Infrastructure	Concession	Rehabilitate, operate and transfer
Jining Haiyuan Water Co., Ltd.	Infrastructure	Concession	Rehabilitate, operate, and transfer (70%)
Jinzhou Water Affairs Group Co., Ltd.	Infrastructure	Divestiture	Partial (51%)
Kunming Water Supply Company	Infrastructure	Lease	Lease contract
Lanzhou City Water Supply Group	Infrastructure	Concession	Rehabilitate, operate, and transfer (45%)
Lezhi Panva Gas Company	Infrastructure	Divestiture	Partial
Liaoning Anshan Wastewater Treatment Plant	Infrastructure	Concession	Rehabilitate, operate, and transfer
Lingbao Gold Co Ltd	Primary	Public Offering	Partial
Linyi City Salcon Water Concession	Infrastructure	Concession	Rehabilitate, operate, and transfer
Linyi Hedong Water Co., Ltd.	Infrastructure	Concession	Rehabilitate, operate, and transfer (60%)
Linyi Salcon Water Co. Ltd.	Infrastructure	Concession	Rehabilitate, operate, and transfer



Liuzhou Water Services	Infrastructure	Management and lease contract	(blank)
Luannan Peak Heat and Power Company Ltd.	Infrastructure	Divestiture	Partial
Luoyang Xinao Gas Company Limited	Infrastructure	Concession	Rehabilitate, operate and transfer
Nanjing City North Wastewater Treatment Plant	Infrastructure	Concession	Rehabilitate, operate, and transfer (100%)
Nanjing International Exhibition Center	Competitive	Public Offers	(blank)
Nina Hydroelectric Plant	Infrastructure	Divestiture	Partial
Peng Shan Panva Gas Company	Infrastructure	Concession	Rehabilitate, operate, and transfer
Pengxi Panva Gas	Infrastructure	Divestiture	Partial
Petro China	Energy	Divestiture	Partial
Petro China Co Ltd	Energy	IPO	A-shares
Ping An Insurance (Group) Company of China	Financial	IPO	(blank)
Qianan Xin Di Thermal Power	Infrastructure	Divestiture	Full
Qingdao Taineng Natural Gas Co., Ltd.	Infrastructure	Concession	Rehabilitate, operate and transfer
Qingdao Wastewater	Infrastructure	Concession	Rehabilitate, operate, and transfer
Qiqihar Panva Gas Company	Infrastructure	Concession	Rehabilitate, operate, and transfer
Qujing - Phase II	Infrastructure	Divestiture	Partial
Shanghai East Container Terminal	Infrastructure	Divestiture	Partial
Shanghai Jim Jiang International Hotels Co, Ltd	Competitive	Public Offering	Partial
Shanghai Port Container Co. Ltd.	Infrastructure	Divestiture	Partial
Shanghai Prime Machinery Co, Ltd	Competitive	Public Offering	Partial
Shanghai Zhuyuan No. 1 Sewage Treatment Plant	Infrastructure	Concession	Rehabilitate, operate, and transfer
Shenzhen Energy Group Co Ltd	Energy	Divestiture	Partial
Shenzhen Gas Group	Infrastructure	Divestiture	Partial
Shenzhen Water Group	Infrastructure	Concession	Rehabilitate, operate, and transfer



Sichuan Xinhua Winshare Chainstore Co., Ltd.	Competitive	IPO	H-shares
Sinotrans Co Ltd	Competitive	Concession	Rehabilitate, operate, and transfer
Sinotrans Shipping	Competitive	IPO	H-shares
Sinotruk	Competitive	IPO	H-shares
Suzhou City Five Wastewater Treatment Plants	Infrastructure	Concession	Rehabilitate, operate, and transfer (100%)
Suzhou Wastewater Treatment Plant	Infrastructure	Concession	Build, rehabilitate, operate and transfer
Tianjin Binhai Teda Logistics (Group) Corporation Ltd. Services	Competitive	IPO	GEM - H shares
Tianjin City North Water Affairs Company Limited	Infrastructure	Concession	Rehabilitate, operate, and transfer (49%)
Tianjin Port Development	Infrastructure	Divestiture	Partial (34%)
Tianjin Tanggu Sino French Water Supply Company	Infrastructure	Concession	Rehabilitate, operate, and transfer
Tianquan River (Shiyang Section) Hydroelectric Power Development Co., Ltd.	Infrastructure	Concession	Rehabilitate, operate and transfer
Tongliao Wasterwater Treatment Plant	Infrastructure	Greenfield	(blank)
Wangxiaoying Wastewater Treatment Plant	Infrastructure	Lease	Lease contract
Wuhu Hong Kong and China Water Co. Ltd	Infrastructure	Concession	Rehabilitate, operate, and transfer
Wujiang Hong Kong and China Water C. Ltd	Infrastructure	(blank)	(blank)
Xi'an Xianyang International Airport Company Limited	Infrastructure	Divestiture	Partial (24.5%)
Xinjiang Xinxin Mining Industry Co., Ltd	Primary	IPO	H-shares
Xintai City Wastewater	Infrastructure	Greenfield project	Build, own, and transfer
Xuyi County Water Supply Company	Infrastructure	Concession	Rehabilitate, operate, and transfer (100%)



Yancheng City Huijin Water Affairs Co. Ltd.	Infrastructure	Concession	Rehabilitate, operate, and transfer
Yancheng Xinao Gas Company Limited	Infrastructure	Private Sale	(blank)
Yangtze Electric Power Co.	Infrastructure	Divestiture	Partial
Hanzhong City Water Company	Infrastructure	Concession	Rehabilitate, operate, and transfer (75%)
Yantai Rising Dragon International Container Terminals Ltd	Infrastructure	Concession	Rehabilitate, operate, and transfer (60%)
Yantian Westport Container Terminal	Infrastructure	Concession	Rehabilitate, operate, and transfer
Yichang Port Affairs Group Ltd	Infrastructure	Divestiture	Partial
Yichun City Water Supply Co., Ltd.	Infrastructure	Concession	Rehabilitate, operate, and transfer (51%)
Yuechi Panva Gas Company	Infrastructure	Concession	Rehabilitate, operate, and transfer
Zhangzhu Town Waste Water Treatment Plant	Infrastructure	Management and lease contract	Lease contract
Zhaojin Mining Industry Co, Ltd	Primary	Public Offering	Partial
Zhengzhou Gas Company Limited	Infrastructure	Divestiture	Partial
Zhong Jiang Panva Gas Company	Infrastructure	Concession	Rehabilitate, operate, and transfer
Zhoukou City Wastewater Treatment Plant	Infrastructure	Concession	Rehabilitate, operate, and transfer
Zhoukou City Water Affairs Group Ltd.	Infrastructure	Concession	Rehabilitate, operate, and transfer (60%)
Zhuceng Xinao Gas Company Limited	Infrastructure	Divestiture	Partial
Zhuhai Airport	Infrastructure	Concession	Rehabilitate, operate and transfer
Zhumadian Water Supply Project	Infrastructure	Divestiture	Partial
Zhuzhou CSR Times Electric Co	Competitive	Public Offering	Partial
Ziyang Panva Gas Company	Infrastructure	Private Sale	(blank)
Zouping Peak CHP Co., Ltd	Infrastructure	Divestiture	Partial



5. FINDINGS AND LESSONS LEARNT FROM THE CHINESE CASE

Unlike China, most of Sierra Leone's SOEs were concessioned, leased, on ROT, BOT etc without government shares. Government received only royalties at the end of the day based on terms and conditions as enshrined in the agreements with such private companies.

Some scholars, researchers and the public believe that privatization is a hoax meant to benefit only the bureaucrats, cut down on jobs and does not promote economic development. However, this paper demonstrated the basis for some major concise findings

- 1) Population growth rate is an important privatization variable and the essence of privatization of State Owned Enterprises (SOEs) is to increase efficiency and labour productivity growth.
- 2) The advantages from privatization far greater than costs of adjustment and that the method or strategy of privatization adopted based on the economic situation is crucial for positive results in improving especially the provision of essential services like transportation, energy, water supply and sanitation.
- 3) Privatization reassigns property rights and property rights is a very important economic and trade guideline that promotes economic trade or free market in particular and economic development in general.

Judging from the above findings and the experience of the Chinese case, there are many lessons Sierra Leone can learn from China. Besides, as (Saul Estrin, January 2009) emphasized, unlike most other developing or transition countries and until lately also China, the transition economies for instance did not simply privatize a number of strategic state-owned Enterprise (SOEs) or endeavour to advance the operations of their legal and institutional structure. China supported a major transformation that made the share of private sector in GDP rise from extremely low levels to between 60% and 90% and established from scratch a market-oriented legal and institutional arrangement. Therefore, the transition economies share with many other developing countries several features related with frail institutions, such as poorly considered and/or unproductively required property rights and inadequately developed capital markets, but they have passed much bigger privatization programs than have been experimental in other developing and transitional countries and until very lately also in China. One can hence attain valued perceptions about the impact of privatization by concentrating on the huge literature dealing with the transition (Saul Estrin, January 2009).

According to (Qian, 1999) privatization is the downsizing of the government bureaucracy. Lessons from transition economies have communicated to us that restructuring the government is a dire part of institutional reforms and possibly more essential than economic liberalization referencing (Shleifer, 1997). Notwithstanding, numerous initial reforms, the basic government bureaucratic arrangement in China was still kept integral from the planning period, for example, many industrial ministries continued supervising State-owned Enterprises (SOEs). In the beginning of 1998 a major restructuring for Streamlining or rationalising the government bureaucracy took place. Significantly, most industrialised ministries, such as the textile and machinery industries, were obliterated and substituted by much smaller corresponding bureaus, which were then engaged into the State Economic and Trade Commission. Some new ministries were formed, such as the Ministry of Social Security. The amount of ministries in the central government were dropped from 45 to 29 and half, from 8 million to 4 million, reduced the amount of civil servants. To reward for the losses, displaced civil servants were sold apartments at discounted or reduced prices according to their seniority or level and were provided a choice to study for undergraduate and graduate degrees with tuition and stipends paid by the Chinese government for three years (Qian, 1999).

6. CONCLUSION

Privatization of State Owned Enterprises (SOEs) is a pro-growth initiative that can be introduced by developing countries or countries with failed central planning systems. Privatization of SOEs is considered as the icing of liberalization of markets, elimination of rationing programs, reduction of international trade barriers, and promotion of private firms in industries, revitalized and opened up substantial productive business potential in the private sector in developing countries.

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