

Why does  
privatization seem to  
be more successful in  
some countries than  
in other...

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Why does privatization seem to be more successful in some countries than in others?

The world is embracing globalization at a faster rate and as this happens, evidence shows that there is extensive privatization of public enterprises and services (Boulle, 2009). Developed countries were the first to embrace the concept of privatization and subsequently followed by the developing countries. Generally, privatization in different states has been associated with the need for productive competition and efficiency especially in domestic market systems. In addition, privatization can be seen to reinforce the idea of globalization that advocate for foreign investment, outsourcing and corporate mergers, and acquisitions (Boulle 2009). As privatization of state-owned enterprises becomes a common phenomenon in the globalizing world, it must be remembered that privatization is not equally carried out among countries. Countries differ as far as privatization is concerned and this has resulted into some countries realizing profound success as compared to other countries. Therefore, different factors interplay and operate in the wider environment with regard to specific country as far as privatization is concerned.

Unsuccessful privatization has largely been associated with developing states as compared to developed states (Boulle 2009). Different varying but common factors have been provided for this. In most states that have realized unsuccessful results with regard to privatization has been associated with political and institutional factors that normally complicate the success of

implementing goals of privatization. These political factors are captured in aspects such as corruption; manipulation of regulation agencies; limited technological expertise; and weak auditing, accounting, and tax systems (Boulle 2009). On their part Kikeri, Nellis and Shirley (1994) identify two categories of factors that make privatization successful (Boubakri and Cosset 1999). According to the authors country's conditions and market conditions combine to dictate the success or failure of any privatization initiative. Accordingly, the country conditions that lead to successful privatization include open trade regime, stable and predictable environment for investment and enhancement of a developed institutional and regulatory capacity (Boubakri and Cosset 1999). On the other hand, market conditions congregate around creation of an environment that is competitive which also promotes efficiency (Boubakri and Cosset 1999). In addition, market conditions need to promote and make it effectively for tradable goods and services to be carried out an aspect that motivate private sector. It can be noted that countries in developing world that have largely failed in their privatization initiatives exhibit greatly rigid regulation structure and competition policy is dysfunctional. More so, these states are faced with the problem of lack of certain critical economic conditions such as developed capital markets, competitive goods and services markets, and effective regulatory capacity, which when present can help the states to establish effective and successful privatization policy (Boubakri and Cosset 1999). At the same time, the success of the government and implementation of its policies has been associated with success in privatization. For example,

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many states in less developed countries are characterized with failed governments and as a result, adoption of privatization programmes has been hindered. To further complicate matters, the failed governments have been the reason for lack of reforms that would otherwise increase competitiveness of the economy and also have been associated with corruption at all levels. Therefore, due to failed governance, the overall environment that would have supported thriving of privatization in less developed countries has been diluted if not corrupted.

As a way of realizing success in privatization, less developed countries have been advised to effectively create an enabling environment in which private sector can successfully operate in. To do this, less developed countries needs to undertake macroeconomic reforms, improve regulatory framework, strengthen financial system, reduce barriers to competition, deregulate product and factor markets, and lastly, improve governance (Boubakri and Cosset 1999). In summary, it can be said that less developed countries have been victims of failure of privatization initiatives as compared to their counterparts in developed nations.

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