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Approach Paper

World Bank Group Support for the Reform of State-Owned Enterprises, 2007-2018: An IEG Evaluation

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1. Purpose and rationale

1.1 **State-Owned Enterprises (SOEs) play a critical role in many developing and emerging economies**.[1] Governments use SOEs to pursue economic, social and political objectives.[2] These can include such objectives as promoting growth in promising sectors or lagging regions, delivering services to the urban or rural poor or general population, addressing market failures such as natural monopoly, filling perceived market gaps, financing investments whose size or risk make private investment unlikely, or addressing issues of heightened national priority or security. Examples include:

- National development banks are understood by the Bank Group to be "key… to help crowd-in the private sector to finance projects with high developmental impact such as infrastructure or projects that can yield a greater public good but which the private sector may not be interested in funding directly."[3]
- In energy, the Bank recognizes that "SOEs are in unique position as major players in the power market with direct access by policy makers."
- In transport, the Bank states that "Given the heavy public-sector involvement in transport, particularly in infrastructure, most of the World Bank Group's transport operations in the near to medium term will continue to involve transport departments, agencies, and enterprises that are publicly owned and operated…"

1.2 Yet the role, performance and governance of SOEs poses challenges: While there are examples of well-run state-owned enterprises, SOEs often display low productivity and efficiency levels with a detrimental impact on growth.[4] Their sometimes poor financial performance and practices can generate substantial fiscal losses (or contingent liabilities) for governments.[5] SOEs frequently lack adequate governance and oversight arrangements, regulation, and levels of transparency and disclosure, which can foster mismanagement, corruption and underperformance.[6] SOEs can also become barriers to private participation in sectors where their dominant presence enables anticompetitive behavior, often benefitting from government protection or subsidy.[7] As a corollary to this, the growing role of SOEs as international investors raises questions about whether their actions undermine a "level playing field" in third party countries.[8]

1.3 **At the same time, earlier experience with privatization raised a host of concerns about economic, social/distributional and environmental consequences that has broadened the agenda for SOE reform.** It is increasingly recognized that economic efficiency gains associated with ownership reform may require certain minimum conditions to be realized.[9] Further, concerns over the welfare of workers and consumers, environmentally sustainable practices[10] and the concentration of market and political power all arose. These elicited a more nuanced and diverse set of responses to SOE challenges.

Box 1.1. Financial Sector: World Bank Group's Tools for Engagement

In addressing challenges arising around State-Owned Financial Institutions (SOFIs) – a type of financial sector SOE, interviews indicate that the Bank Group has a broad toolkit including:

- Diagnostic work such as country deep dives, corporate governance roadmaps and the Financial Sector Assessment Program, where FSAPs can include an annex on SOFIs.
- Financial sector policy dialogue rooted in country-level assessments and analytic work.
- Upstream reform of the policy environment, governance or institutional framework for state-owned financial institutions, often through policy-based lending and policy dialogue.
- Downstream lending or non-lending technical assistance to SOFIs to strengthen management, oversight, audit and monitoring and systems.
- Credit lines and guarantees channeled through SOFIs, often accompanied by institutional strengthening.

Source: IEG interviews with WBG staff and document review.

1.4 **The World Bank Group (WBG) supports SOE reform in its client countries in several ways (e.g. box 1)**. It deepens understanding of reform priorities and alternatives through diagnostic and advisory work and through its broader knowledge activities. It works upstream on policies and institutions and downstream, directly with enterprises. It works both to reform SOEs and to utilize them for development ends. It strengthens policies and institutions through dialogue, policy-based lending and technical assistance to governments and enterprises. It mobilizes financing through WBG lending (both policy and investment), through IFC equity and debt, and through MIGA guarantees. And it sometimes reforms institutions it plans to work with – for example, insisting on corporate governance reforms for a state-owned bank that will channel a line of credit.

1.5 **Given the key role of SOEs in many WBG client countries, new waves of privatization and reform in others, and reported growth in demand for SOE-related support, strengthening SOE performance is increasingly seen as an opportunity to improve economic performance and pursue multiple sustainable development goals (SDGs).** This can include improved delivery of services to the poor or enhanced growth and employment, thereby contributing to the attainment of the Bank Group's twin goals of reducing extreme poverty and promoting shared prosperity. At the same time, the differing nature of client demand and initial conditions (both economic and political) has elicited a diverse set of WBG responses through a broad range of instruments.

1.6 **The evaluation will review the experience of the WBG supporting SOE reforms over the ten-year period 2008-2018.** It will: (i) assess the ways in which WBG support to SOE reform achieved its stated objectives (including the extent to which those objectives were aligned with the strategies of the Bank Group, country, and relevant sectors); (ii) identify what worked (success factors and examples of good practice); and (iii) draw lessons from factors associated with successful and unsuccessful interventions and country engagements to inform the Bank Group's future response to needs for SOE support.

1.7 **The evaluation is timely given the recent attempts by the Bank Group (e.g., EFI Vice Presidency, Governance GP, IFC, MIGA) to coordinate and enhance its response to client's demand for SOE finance and reform** (including corporate governance). It highlights SOEs and SOE policies as playing a critical role in either diminishing or expanding fiscal space and in either catalyzing or crowding out private financing and participation under the Maximize Finance for Development (MFD) agenda.[11]

Box 1.2. State-Owned Enterprise (SOE) definition

OECD acknowledges the existence of multiple definitions of SOE, with the broadest including "all autonomous government entities that generate at least half of their income through the sale of goods and services and have autonomous budgets and balance sheets." However, it adopts a narrower definition of "any corporate entity recognized by national law as an enterprise, and in which the state exercises ownership, should be considered as an SOE. This includes joint stock companies, limited liability companies and partnerships limited by shares. Moreover, statutory corporations, with their legal personality established through specific legislation, should be considered as SOEs if their purpose and activities, or parts of their activities, are of a largely economic nature."

While the WBG has no official definition of SOE, its activities on corporate governance of SOEs focus on "commercial SOEs at the national level in which the government has significant control through full, majority, or substantial minority ownership. SOEs across a range of sectors—such as manufacturing and services, utilities, banks and other financial institutions, and natural resources—are included." In 1983, the definition employed was "all industrial and commercial firms, mines, utilities, transport companies, and financial intermediaries controlled to some extent by government. SOEs are distinguished from the rest of the government because they are expected to earn most of their revenue from the sale of goods and services, are self-accounting, and have a separate legal identity."

IFC defined an SOEs as "a legal entity that is majority owned or controlled by a national or local government whether directly or indirectly."

Asian Development Bank (ADB) used this definition: A state-owned enterprise (SOE) includes, but is not limited to, any entity recognized by the borrower's national law as an enterprise in which the state or government exercises direct or indirect (whole or partial) ownership or control.

The European Bank for Reconstruction and Development (EBRD) has "no singular official … definition of a state-owned enterprise based on, for example, model of incorporation or percentage of government ownership, or an SOE flag in the EBRD's databases."

For this evaluation, IEG uses either 1) WBG's own identification of SOEs in project documents or 2) the three criteria offered by Raballand et al., namely that an SOE is characterized: "(1) control by the state; (2) legal and financial autonomy from the state (characterized by a legal personality, specific rules of operation defined under a legal regime, and budge autonomy); and (3) participation in the productive sector." (3) includes services, both financial and non-financial.

Source: OECD Guidelines on Corporate Governance of State-Owned Enterprises 2015 Edition; World Bank (2014) Corporate Governance of State-Owned Enterprises: A Toolkit; Shirley, M. (1983) Managing state-owned enterprises. (World Bank Staff Working Paper 577); IFC. Directive: Investments in State-Owned Enterprises (Catalogue: IO259 February 23, 2015); ADB 2018 State-Owned Enterprises – Guidance Note on Procurement – Business Guide; EBRD Evaluation Department Special Study: Transactions with State-Owned Enterprises Regional March 2016. Raballand, Gael J. R. F.; Veuillot, Gilles Marie; Habhab, Lydia; De Meneval, Philippe. 2015. Middle East and North Africa - Governance reforms of state-owned enterprises (SOEs): lessons from four case studies (Egypt, Iraq, Morocco, and Tunisia). Washington, D.C.: World Bank Group.

2. Background

2.1 **Despite a phase of rapid privatization in the 1990s, the public ownership of assets and economic activity via SOEs (public ownership of entities operating in commercial sectors – see Box 2) has persisted and in some economies has even grown**. In OECD countries, for example, SOEs account for 15% of GDP; while in transition economies SOEs can account for 20-30% of GDP. The World Bank estimates that SOEs account globally for 20% of investment and 5% of employment.[12] In 2010, OECD estimated SOEs to account for 30% of Chinese GDP, 38% of Vietnamese GDP, and 25% of Indian GDP.[13] A recent estimate placed SOE global revenues at $8 trillion, almost equivalent to the combined GDPs of Germany, France and the United Kingdom.

2.2 **Many SOEs figure among the world's largest companies, comprising (by a conservative estimate) more than 10% of the world's 2000 largest companies with a similar share of sales value. SOEs comprise more than half of the largest companies in China, UAE, Russia, Indonesia, Malaysia, Saudi Arabia, India and Brazil.**[14] **SOE's share in the Fortune Global 500 has grown from around 9% in 2005 to 23% in 2015, led by rapid growth in China.**[15]

2.3 **SOEs figure prominently in sectors characterized by natural monopolies or network externalities**[16] **including extractive industries, transport, power, water, telecommunications and financial intermediation**.[17] For example, 13 of the top 15 biggest oil companies are SOEs.[18] OECD data show SOEs to account for anywhere from around 10% of total power generation in Chile and Argentina to over 90% in Croatia and South Africa.[19] SOEs can account for very large shares of formal market capitalization: one snapshot in 2012 found SOEs accounted for roughly two thirds of the MSCI emerging market index in energy, over half for utilities, about a third for telecom services, and 32% in the financial sector.[20] While more prominent in sectors characterized by natural monopoly and network effects, SOEs are also found some competitive sectors in manufacturing and services.

2.4 **Over the past 20 years there is a growing trend in international investment by SOEs**, sometimes a reflection of their government investment policies abroad motivated by commercial and/or geopolitical considerations. In 2011, an OECD report cited an UNCTAD study which found that, although SOEs represent less than 1% of all multinational enterprises in operation, they accounted for 11% of global FDI flows.[21]

2.5 **Following the international financial crisis of 2008, there was renewed interest in state-owned financial institutions (SOFIs**) as a potentially less volatile and more reliable vehicle for maintaining liquidity and providing credit in turbulent markets, as well as for medium term financial intermediation objectives and pursuit of policy goals such as financial inclusion or sectoral growth. A recent World Bank study found that "After the global financial crisis, SOFIs expanded more rapidly than the overall banking sector, independently of whether their mandate included a countercyclical role." This trend was brief, with a substantial slowdown of asset growth after 2011.[22]

2.6 **At the same time, several countries are considering or implementing new initiatives to reform or privatize their SOEs.** Countries ranging from Pakistan to Ethiopia to Tajikistan have requested international assistance to strengthen performance or privatize.[23] The resurgence of interest in privatization and SOE reform is accompanied by concerns about the social/distributional outcomes of these processes and associated political economy issues.

WBG SOE interventions

2.7 **WBG interventions involving SOEs can be classified into four categories: two of them pursuing SOE reforms and two utilizing SOEs for other development purposes:**

1) Upstream interventions focused on **the reform of the enabling, regulatory and institutional environment for SOEs** to enhance their performance.[24] For example, a series of development policy operations (DPO) in Ukraine (P096389) sought to, inter alia, improve governance in SOEs to create fiscal space for growth through strengthened public finances and public-sector reform. The DPL required as a prior action the enacted Law on the Management of State Owned Enterprises. This law was to set an appropriate framework for dealing with management and governance concerns.
2) Downstream interventions focused on **addressing firm-level SOE reform** using advice, technical assistance and WBG direct investments. For example, a prior action in a World Bank poverty reduction support operation in Tanzania required the SOE Tanzania Electric Supply Company Limited (TANESCO) to make progress in the implementation of its financial recovery plan, increasing revenues and strengthening governance of the energy sector through improved regulation. As another example, in 2010, a MIGA guarantee was issued to support a Dutch investment to privatize, rehabilitate, and expand an Ethiopian tropical-fruit producer, Africa Juice. The guarantee covered the equity investment against the risks of transfer restriction, expropriation, and war and civil disturbance.
3) **Enabling interventions** aimed to advance SOEs' delivery of development goals without reforming the SOEs. For example, a component of the Bank's Finance Capacity Development Project in Mongolia modernized the payment system that was used by state-owned financial institutions.[25]
4) **Direct support to SOEs to achieve development goals** *through* ***downstream*** *finance and technical support interventions*. For example, in Brazil IFC financed CASAN's commercial and operational efficiency program. CASAN is a majority state government owned water and wastewater utility of the Santa Catarina (SC) State serving 203 of the 293 state municipalities. The supported program including three subprograms: (i) customer management improvement; (ii) consumption metering; and (iii) production and flow metering.

2.8 In each of these categories, IEG finds multiple instruments of the WBG applied, including WB Development Policy Operations (DPOs), WB Investment Project Finance (IPF), WB Analytics and Advisory Services (ASA), IFC Advisory, IFC Investment, and MIGA guarantees (table 1).

Table 2.1. Types of projects/activities encompassed by four categories of interventions

Reform the enabling, policy, and regulatory environment for SOEs	WBG policy advice (upstream work) that enhances the enabling, policy, and regulatory environment for SOEs, help introduce market discipline and competitive neutrality in SOE market/sectors, rationalize tariffs or SOE subsidy pricing, assess or reform market dynamics in pursuit of an optimal mix of public and private ownership, promoting, designing, or implementing public financial management systems to assess and report on SOE liabilities and to deal with the fiscal effects of SOEs.	WBG DPO/IPF WB ASA IFC Advisory
Address firm-level SOE concerns	WBG support that addresses firm-level concerns through policy advice and direct investments. May include support to improve governance, transparency and accountability of SOEs by strengthening the state's ownership/oversight function over them and/or SOEs' financial accountability, controls and transparency; improve business and operational performance of SOEs through company restructuring, market assessments, product mix and process efficiency, performance management systems, restructuring debts/assets, and rehabilitating assets and infrastructure; and E&S aspects.	WBG DPO/IPF IFC Advisory IFC Investments MIGA
Indirectly support SOEs through upstream and enabling engagements that generate external benefits	WBG support that would create a positive environment for SOEs. Such support may include investments in infrastructure that ultimately benefit a SOE, e.g. by reducing their operational costs, or interventions that indirectly enhance a SOE's capacity or position, e.g. arrangements where a SOE may be a reliable off-taker.	WB IPF IFC Advisory IFC Investments MIGA
Directly support SOEs through downstream finance and technical assistance to leverage their role in pursuit of development objectives	World Bank and IFC investments and MIGA guarantees that directly benefit SOEs with the purpose of achieving country/sector development objectives through the SOE. Support may include expanding, sharpening, focusing or mandating a SOE's role in underserved segments of the market; supporting SOFIs to advance financial inclusion in rural or extreme poverty areas and their use of no-frill basic saving accounts; country-level support from development banks including their role in development agendas, partnerships with other institutions, and disbursements through apex banks.	WB IPF IFC Investments MIGA

2.9 **The preliminary Portfolio Review covering WBG's SOE operations in FY2008-FY2018 reveal a large and varied portfolio by type of interventions and commitment volumes.**[26] Over the period,[27] the WBG has approved and delivered over 2,000 investments and activities accounting for over US$50 billion in total project volume. On average, the SOE portfolio accounts for around nine percent of the total Bank Group portfolio – though there is some variability, with SOE engagement accounting for 12 percent of the World Bank lending portfolio and just over five percent of the IFC Investment portfolio. SOE projects that were evaluated between FY2008 and FY2018 (even if they were approved before FY2008 but not earlier than FY2002) amount to 860 (table 2).

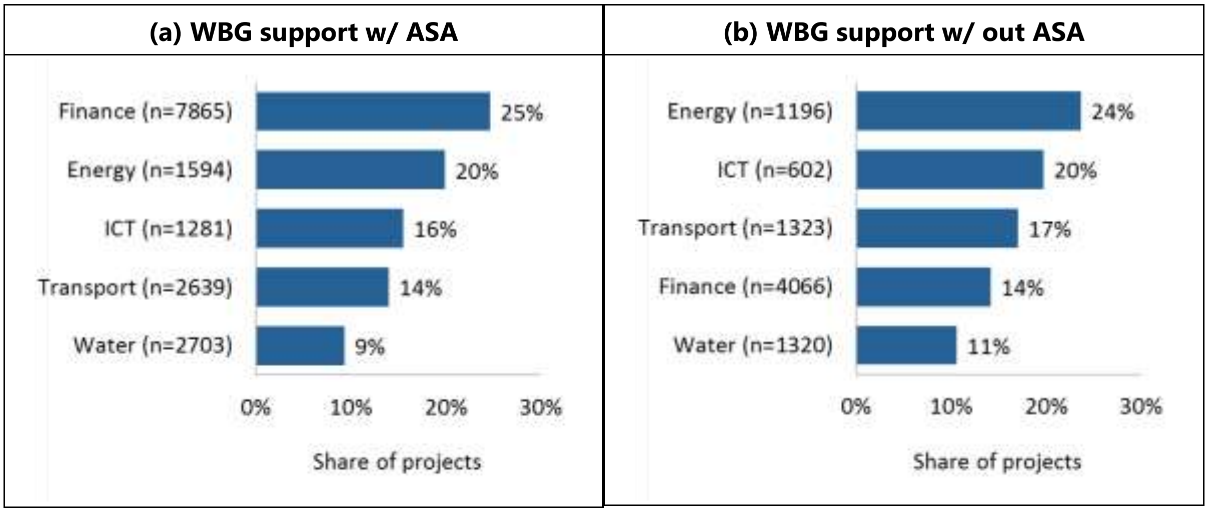
Table 2.2. World Bank Group SOE Portfolio by Institution (FY2008-2018)

Institution	Total No. Projs Approved FY08-18	Share of total portfolio	WBG Volume	Share of total portfolio	# Projs Evaluated FY08-18
World Bank Investments & Policy Operations	741	12%	31,688	7%	704
IFC Investment Services	155	5%	10,432	7%	90
IFC Advisory Services	133	7%	253	10%	57
MIGA Guarantees	42	15%	9,096	29%	9
Sub-total	**1072**	**9%**	**51,470**	**8%**	**860**
World Bank ASA	1058	9%	356	11%	-
Total	**2,129**	**9%**	**51,825**	**8%**	**860**

Source: IEG Preliminary Portfolio Review.
Note: All numbers and volumes estimated based on 25 percent sample described in the identification methodology in Appendix 5. Number of evaluated projects based on projects evaluated between FY2008 and FY2018 using same methodology as approved portfolio. WBG volume for WB Investments and Policy Operations based on average percent allocated to SOE-coded projects in WB system.

2.10 **WBG's SOE projects are evenly distributed by income level of countries, with a modest weighting towards upper-middle income countries, especially in MIGA's interventions involving SOEs.** SOE support is similar across regions, with differences in each Bank Group institution's focus. Four sectors comprise the largest WBG support to SOEs by number of projects: finance (25%), energy (20%), information and communication technologies (ICT) (16%), and transport (14%). Water is the fifth most frequent area of support (9%) (figure 1). IFC investment is concentrated in projects in energy and finance, as do its advisory services. MIGA guarantees are heavily focused on transport and water projects. The lion's share of World Bank ASA (80%) addresses the financial sector (allowing that some projects treat more than one sector), while its lending supports projects in energy, ICT and transport with greater frequency (see appendix 6, figure 9). World Bank lending for SOE reform reflects a mix of development policy operations (DPOs) and investment project financing (IPFs) resembling its general portfolio. DPOs are more prevalent in the energy, finance and ICT sectors, while IPFs are more common in transport and water. IFC's SOE investment portfolio is most focused on the energy sector.[28]

Figure 2.1. Share of World Bank investments SOE projects to total projects by global practice/ sector (preliminary)



WBG policies and strategies on SOEs

2.11 **WBG engagements with SOEs have been largely governed by the policies and strategies of the country unit or Bank Group organizational unit leading them and by the pipeline and nature of client demand**. In the early 1990s, with the dissolution of the former Soviet Union, and with the perceived failure of efforts at SOE reform in the 1980s, change of ownership motivations dominated over other considerations giving priority to reducing the role of the State.[29] A 2001 retrospective cast a generally favorable light on the privatization experience.[30] Yet as early as 1995, there was a clear recognition by the Bank that for a variety of reasons, many enterprises were likely to remain publicly-owned for the foreseeable future, hence there was a strong role for the WBG to play in supporting better governance to improve results.[31] In recent years, especially since the global financial crisis, the reform school has predominated in discussions of SOE reform – with an emphasis on improving regulatory and governance (especially corporate governance) arrangements, and internal management and capacities to strengthen performance, and, where possible, maintaining a level playing field to allow competition.

2.12 **In their strategic WBG documents, individual sectors are generally neutral about SOEs – often acknowledging their importance in improving SOE service delivery – but lacking an elaborated approach.** In the energy sector, reforming public utilities to improve performance is a core part of the business. The 2008-12 transport sector's strategy acknowledges the need to work on SOE reform because "*the majority of the World Bank Group's transport operations in the near to medium term will continue to involve transport departments, agencies, and enterprises that are publicly owned and operated*." A key water sector report discusses the predominance of (both public and private) monopolies in water supply that need "*to be regulated to ensure adequate access to water at a price that people can afford*." A current financial sector strategy statement is mute on the topic of state owned financial institutions (SOFIs), although key policy and research papers support alternatively privatization or enhanced governance of (and sometimes expanded utilization of) SOFIs, especially development banks.[32] The Bank's PPP strategy embraces the use of PPPs "where appropriate" to "bring greater efficiency and sustainability to the provision of public services such as water, sanitation, energy, transport, telecommunications, healthcare, and education." The recently adopted MFD approach prioritizes the mobilization of private financing but takes no explicit stance on public ownership.

2.13 **The World Bank's Vice Presidency for Equitable Growth, Finance, and Institutions (EFI) has recently reacted to a perceived lack of consistency and coordination in responding to client demand for assistance relating to SOEs.** First, the Governance and Finance and Markets[33] GPs produced an SOE corporate governance toolkit and collaborated on a series of country diagnostics rooted in the SOE corporate governance framework (closely aligned to the standards of OECD). Later, the Vice President of EFI brought together multiple GPs to come up with a coordinated approach, which was proposed to the leadership at the end of last year. If implemented, it would bring a new level of consistency and coordination on SOE reform, but also has the potential to engage other parts of the Bank, IFC and MIGA.

2.14 **Under the right circumstances, IFC will invest in or with SOEs to pursue its private sector and market development objectives.**[34] This includes investments in SOEs investing outside their home countries. IFC restricts its investments to SOEs that are autonomous, operate in a commercial manner, and are subject to applicable commercial and corporate laws. IFC also aims at not displacing any potential private sector activity and to assure competitive neutrality – i.e., a level playing field where the SOE has no competitive advantage.

2.15 **MIGA's guarantees may be made in support of SOEs so long as they are "commercial enterprises."**[35] This can take the form of traditional political risk guarantees or its more recent non-honoring of sovereign financial obligations (NHSFO) coverage, which provides credit enhancement in transactions involving sovereign and sub-sovereign obligors. In the latter case, the primary beneficiaries of this cover are commercial lenders that provide loans to public sector entities for infrastructure and other productive investments, so it is highly relevant to SOEs. An ongoing IEG meso evaluation on MIGA's NHSFO product will inform this evaluation.

3. Evaluation methodology

Theory of change and Scope

3.1 **The Bank Group engages with SOE reform in two different contexts**:

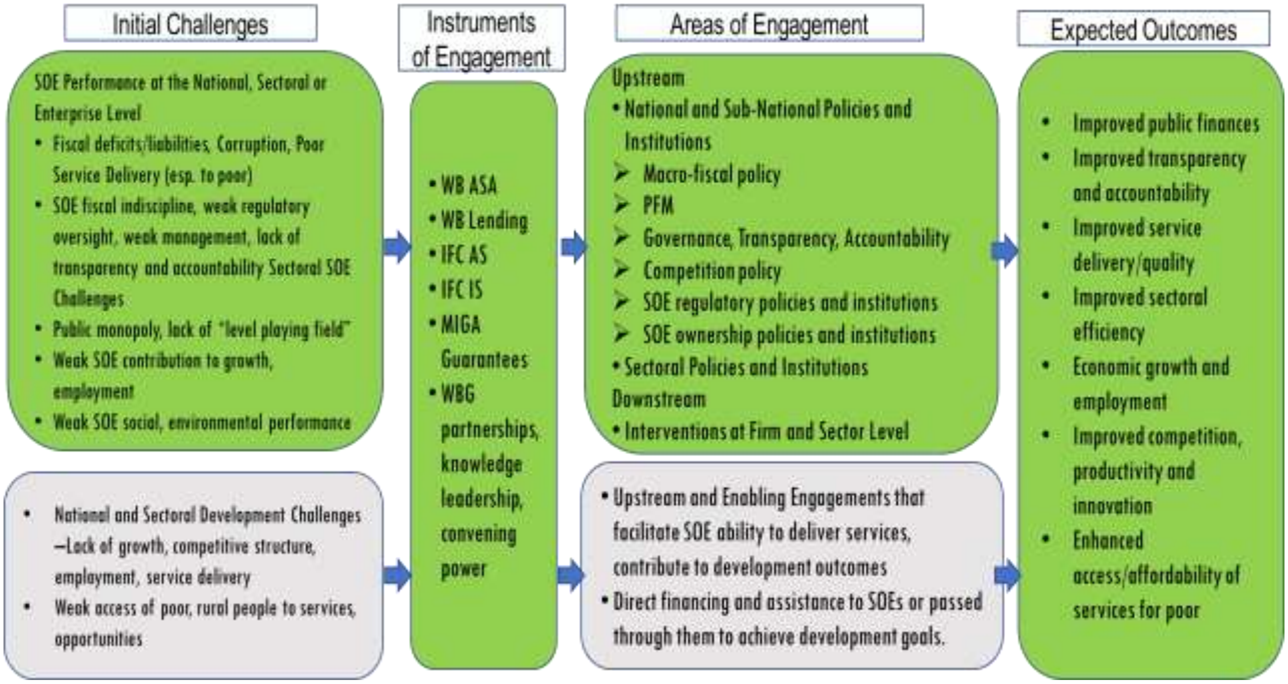
1) The first, and most common context, is one where SOEs' own performance – nationwide, within a sector, or individually – poses a challenge to development. This may be reflected through high SOE costs and debts that weaken the fiscal position of government; weak SOE governance or corruption, weak SOE financial or

operational management and oversight; lack of competition or opportunities for private entry and participation in SOE-dominated sectors; weak performance (in terms of growth, employment, innovation, or productivity) of a service or sector in which SOEs are prominent – including poor service to other key sectors; and weak SOE performance with regard to environmental and social goals. In this context, WBG institutions can use several instruments and approaches to intervene either *upstream* (policy and institutional) at the national, sectoral, or institutional level; or *downstream* (at the enterprise level). In the upstream example of the Ukrainian DPL series, referenced in paragraph 2.7, a prior action was the enactment of a law on management of SOEs to create a framework for a selection process of management teams that remedied the tendency to select "cronies."[36] Downstream, successive policy operations sought to improve the performance and financial status of the Tanzania electric power supply company (TANESCO).

2) A second context for WBG engagement is one where the SOE is not seen as a primary development challenge, but rather as an instrument to address a development challenge. In this case, there may be either *upstream* interventions to facilitate SOE's ability to better deliver services or *direct financing and support* to state-owned enterprises to help them achieve or contribute to a development goal (e.g., when a line of credit is channeled through a national development bank without a substantial effort to change the way the bank operates or is regulated).

3.2 **Figure 2 summarizes the theory of change for this evaluation and outlines its scope** capturing the two contexts described above (in the first column, initial challenges), the WBG instruments for SOE reform engagement (e.g., investment finance, advisory, etc.) (in the second column), the likely areas of engagement (upstream or downstream, third column), and the expected development outcomes elaborated in the final column. Not pictured are the Bank Group's overarching twin goals, which are the intended final impact of its entire work. As noted by the grey shading, an important set of projects engaging with SOEs do not have SOE reform as a primary objective. Such projects will be identified but will not be the focus of the current evaluation, which is indicated with green shading. As the theory of change illustrates, SOE reforms have important sectoral dimensions. This evaluation will focus on two sectors (among financial, energy and transport) to be decided once the portfolio analysis has been advanced. While not illustrated, a host of other factors, many beyond the control of the World Bank Group, influence the performance of enterprises and economies, including broad macroeconomic policies and *force majeure,* ranging from regime change to natural disasters and war. Such contributing factors will be considered, particularly in country case studies. Thus, in terms of scope, the evaluation will focus (i) on support to reform SOEs excluding general reforms and indirect support to SOEs; (ii) deeply on two sectors to be determined following a more in-depth portfolio analysis.

Figure 3.1. Theory of change for the evaluation of SOE reforms



Evaluation questions

3.3 **The evaluation will assess the contribution of the World Bank Group to enhancing development outcomes through its support for the reform of SOEs.** The evaluation is built around the criteria of (i) relevance; (ii) effectiveness; and (iii) learning. The relevance question explores whether the WBG has a credible strategy, set of approaches and capacity to deliver development impact through SOE reform. Under the effectiveness question, the evaluation will assess whether the WBG has been successful in achieving the sought-after development outcomes in its SOE reform interventions. The learning question will identify factors explaining success and failure (internal, such as design and supervision, and external, such as political economy and institutional capacity), lessons from the experience of the WBG's involvement in SOE reform over the last ten years and reflect on the implications of those lessons for future WBG involvement (table 3.1).

Table 3.1. Evaluation questions

Criteria and questions	Sub-questions
Relevance: Does the WBG has a credible approach to achieving development impact through SOE reforms	• What has been the nature of client demands and WBG identified priorities for country, sector and firm-level SOE reforms? • How aligned is WBG engagement with SOE reforms with country, sector, and SOE firm-level development priorities and capabilities and the most relevant constraints? • To what extent has Bank Group support been aligned with relevant WBG strategic objectives? • How has the coherence and coordination of the WBG engagement with SOE reform evolved over time?
Effectiveness: How effective are WBG's SOE reform interventions?	• How effective have WBG's SOE reform interventions been in helping clients to strengthen strategy and performance of SOEs at the enterprise, sector or national level? • To what extent did WBG interventions lead to improved SOE performance at the enterprise, sectoral or national level? • To what extent have WBG interventions contributed to improved economic, social and environmental outcomes at the enterprise, sector or national level
Learning: What factors explain the success or failure of WBG's SOE reform interventions?	• What *internal* factors (e.g., design, supervision, team composition, consistency, choice of instrument, M&E framework, sequencing, collaboration, complementarity, funding, etc.) and/or *external* factors (e.g., client commitment and political economy, public sector institutional capacity, private sector capacity and engagement, activities of other donors/partners) explain observed development outcomes of WBG's SOE reform interventions? • What examples of good practice can be identified from the WBG's experience on SOE reform over the last ten years? • What implications can be drawn from lessons of experience for the future involvement of the WBG on SOE reform?

Evaluation design

3.4 The evaluation will be designed to conduct a theory-driven analysis of the key causal steps identified in the theory of change. This analysis will be a multi-level (national, sectoral, and enterprise level) mixed-methods approach that draws on both the quantitative aspects (i.e., the analysis of the portfolio and micro-evaluative data) and qualitative aspects such as case studies, literature and document reviews, and stakeholder interviews. The specific methods and sources of data that will be used in the evaluation can be classified under a set of methodological approaches summarized in table 3.2.

Table 3.2. Summary of Evaluation Components and their Descriptions

Evaluation Component	Description
Country case studies and embedded sector and enterprise-level case studies[37]	In five purposively selected countries, IEG will follow a nested structure with a country level case study of the Bank Group's support to SOE reform and engagement, two sector-focused case studies, and up to two enterprise-level case studies. Thus, the total number of case studies will be up to 25 (five country-level, ten sector-level and up to 10 enterprise-level). Cases will involve both desk- and field-based assessments and they will aim to identify to what extent the World Bank Group's efforts were effective and "how" and "why" specific interventions were or were not successful in delivering the intended results.
Portfolio review and analysis (PRA)	The evaluation will conduct a systematic desk review and assessment of projects along the evaluation's analytical framework to identify design features and characteristics, results indicators, and drivers of success and failure. While the entire portfolio will be initially captured and broadly classified, detailed codification and analysis will focus on two selected sectors (energy and financial sectors). Further, due to the large volume of ASA work, especially in the financial sector, a random sample of 25% of relevant ASA work will be drawn for the portfolio review and analysis.
Sector and topical deep-dives	Deep-dives will include a focused structured literature review and portfolio analysis on the topics of SOE reform at the sector-level for 2 sectors (e.g. finance, energy and/or transport) and for 2 topics (e.g. privatization, state development banks). Each deep dive will further describe the portfolio's design features, relevance of the interventions, and factors that facilitate or constrain their implementation. Deep-dives will also draw from the draft case studies and will consider the role of stakeholders (other than WBG) at the country or global level. Deep-dive methodology may also be used for specific topics that may emerge as key during the evaluation implementation phase.
Country-level systematic review of policy, strategy, and diagnostics	The evaluation will conduct a series of systematic document reviews to complement the evaluation's portfolio review. The evaluation envisions carrying out a systematic review of country strategy documents to better understand the level of alignment and coherence of Bank Group country-level strategies and SOE reform concerns. A similar review will be carried out for those countries which have been subject to systematic country diagnostics.
Structured literature review	The team will conduct/commission a structured review of academic, WBG and other literature on SOE reform broadly and for specific deep dive topics and sectors.
Semi-structured interviews	Semi-structured interviews with subject matter experts within IEG, the broader World Bank Group, and external stakeholders such as governments, donors, non-governmental agencies, academics, and private sector entities.
Statistical and econometric review of data and indicators	The evaluation will apply statistical and econometric methods to relate portfolio outcomes (of closed projects) to explanatory and, potentially, impact variables, including WBG and external (e.g. EIU, WEF, UN) indicators and datasets (such as Findex), aligned with the evaluation questions.

Limitations to the methodology and risk mitigation

3.5 Several factors might constrain the evaluation. First, choices about the scope and focus (e.g. sectors and topics selected for deep dives and countries selected for case studies) could limit the audience for or learning from the evaluation. Second, limited data availability (especially for non-lending work), lack of baseline and control groups, incomplete monitoring data, and incomplete data on cost may limit the ability to conduct detailed and precise analysis. Third, given the complexity of the portfolio, data limitations, varied context-specific causal pathways and more, the team will face limitations in determining the causal contribution of WBG support to SOE reform with development outcomes. Fourth, World Bank's non-lending (economic and social work, non-lending technical assistance, reimbursable technical assistance), which numerically dominate the SOE reform portfolio in some areas, are currently not integrated in an overall results framework; hence there is no evaluation benchmark ('objectives') against which these activities could be assessed. Further, when determining the effectiveness of World Bank Group interventions in social and environmental dimensions, the evaluation might not find appropriate benchmarks. Finally, as many SOE reforms are components of multifaceted projects (such as policy operations), it may be difficult to identify the true volume of resources focused on SOE reform.

Risk management

Risk	Mitigation
Choices about the scope and focus (e.g. sectors and countries covered in depth) could limit the audience for or learning from the evaluation.	Choices will be informed through consultation and the quality review process. Broader portfolio review, interviews and reviews of micro-evaluative data and literature to capture information and lessons potentially missed through other methods.
Limited data availability (especially for non-lending work), lack of baseline and control groups, incomplete monitoring data, and incomplete data on cost	Close attention to potential biases of incomplete information. Consistent triangulation between methodologies to draw findings and conclusions. Use of consistent case study frameworks to collect and generate parallel qualitative as well as quantitative data. Internal and external quality assurance (see below).
WB ASAs are currently not integrated in an overall results framework; hence an evaluation benchmark ('objectives') against which these activities could be assessed does not exist.	Reliance on programmatic approach and potential deep dives for major products. Use of country cases to deepen understanding of ASA. Consistent triangulation between quantitative and qualitative methodologies to draw findings and conclusions.
When determining the effectiveness of World Bank Group interventions in social and environmental dimensions, the evaluation might not find appropriate benchmarks.	Consistent attention to social and environmental dimensions in case studies and interviews. Collection and use of all available indicators, particularly for case study countries. Consistent triangulation between quantitative and qualitative methodologies to draw findings and conclusions.
Because some Bank-sponsored SOE reforms are components of multifaceted projects (such as policy operations), there may be difficulties in identifying the true volume of resources focused on SOE reform.	Portfolio team will be trained to use consistent criteria for identifying SOE reform volume in multicomponent or multi-objective projects using established IEG methodologies. For example, for policy operations, volume would typically be weighted by the ratio of relevant prior actions concerning SOE reform.

4. Quality assurance

4.1 **The evaluation will be subject to quality review.** The Approach Paper will undergo IEG's management and external peer review to ensure relevance of evaluation questions and issues covered, adequacy of scope of the evaluation and appropriateness of methodology. The evaluation will face similar quality control. External peer reviewers are:

1) William Mako is a Distinguished Faculty at the Paris School of International Affairs, SciencesPo, and a Faculty member of the Graduate School of Pan-Pacific International Studies, Seoul. He has a distinguished career working for the World Bank between 1997 and 2014 and has since worked for the Bank and ADB as an independent consultant, including on issues of SOE reform.
2) Robert Cull is Lead Economist in the Finance and Private Sector Development Team of the World Bank's Development Research Group. His most recent research is on the performance of microfinance institutions, bank ownership, African financial development, Chinese financial development and firm performance, the effects of the global financial crisis and the design and use of household surveys to measure access to financial services. He has published more than 30 articles in peer-reviewed academic journals including the Economic Journal, Journal of Development Economics, Journal of Economic Perspectives, Journal of Financial Economics, Journal of Law and Economics, and the Journal of Money, Credit, and Banking.
3) Patrick Heller is Advisor at the Natural Resource Governance Institute. Patrick's research focuses heavily on the governance and management of state-owned oil and mining companies, oil sector institutional structure and the analysis of extractive industry contracts. Over the past 15 years, his work has focused on legal reform and governance initiatives in developing countries for organizations including USAID, the Asian Development Bank, and The International Center for Transitional Justice. He has facilitated courses on oil, gas and mining legal frameworks with partner institutions including Oxford University, Columbia University, Gadjah Mada University (Indonesia), and the Catholic University of Central Africa.

4.2 The team has also recruited the advice of John Nellis, a Non-Resident Senior Fellow at the Center for Global Development, and a Principal in the consulting firm International Analytics, who codirected (with Nancy Birdsall) the Center for Global Development's Project on Privatization. From 1984 to 2000 John Nellis worked at the World Bank. Additional peer reviewers will be sought for the final evaluation to bring more diversity.

Related IEG evaluations

4.3 Recent IEG evaluations have generally not dealt explicitly with the reform of SOEs. The last time IEG devoted a major evaluation to the topic of State-Owned Enterprises was in 1995 when it (then OED) published the evaluation "Making Privatization Work". It found that "Bank policy in support of privatization is adequate and well-articulated but needs to be applied sensitively to specific conditions. Success depends heavily on the government's commitment to privatization, on the borrower's administrative capacity, and on the level of development of the private sector in the country at large. It has been hardest to achieve in low-income countries, where political commitment to privatization has been weak and where the environment for private enterprise has often been difficult." It recommended (1) a phased approach tailored to a country's level of commitment and capacity, including its state of private sector development and (2) strengthening staff skills and a program of research.

4.4 Since then, privatization was only rarely addressed in major evaluations. A recent evaluation of relevance was IEG's 2014 assessment of the WBG experience in Public-Private Partnership (PPPs), which looked at Bank Group use of PPPs across all sectors. PPPs are often used to increase the private sector role in the context of SOE reform efforts, as an alternative to full privatization. The PPP evaluation found that designing, structuring, and implementing PPPs remains a challenging and complex endeavor whose success depends on the enabling environment in which they are embedded. It found that, before PPPs could be structured, essential sector reform efforts were often needed, and these fail in about half of cases, largely due to issues of political commitment and project complexity. A subsequent Synthesis Note on the health sector produced parallel findings.

4.5 Other IEG evaluations acknowledged the sectoral role of SOEs without directly addressing questions about their reform. The Access to Electricity evaluation cites the role of joint projects of the WBG in "breaking ground" for the private sector, including through "privatization of a power company or utility."38 IEG's 2013 evaluation on "Improving Institutional Capability and Financial Viability to Sustain Transport"39 briefly discusses the difficulties IFC has with "early engagements", which could "demonstrate that private sector participation is possible in untested regulatory regimes or in distorted markets caused by the competition of a large state-owned enterprise." IEG's evaluation of World Bank Group's Support for Water Supply and Sanitation notes that "nearly two thirds of front-line service delivery are provided by a public utility or autonomous state-owned enterprise (63 percent)."40 IEG's evaluation of Support to Urban Transport noted weaknesses in communication and coordination between World Bank and IFC in promoting PPPs and encouraging private investment opportunities.41. Ongoing IEG work includes a meso evaluation of MIGA's Non-honoring of Sovereign Financial Obligation instrument, and a Synthesis Note on public utility reform, both of which will inform this evaluation.

5. Expected outputs and audience

5.1 **Planned Reporting Vehicle.** The primary output of the evaluation will be the report to the WB Board's Committee on Development Effectiveness (CODE), which will contain the main findings and recommendations. The finished evaluation will be published and disseminated both internally and externally. IEG will develop additional dissemination products, such as presentations, blogs, and videos, as appropriate to enhance the dissemination of the key findings.

5.2 **Regular stakeholder interaction will be sought to enhance the evaluation process.** During evaluation preparation, the team will solicit feedback and comments from stakeholders, WBG management and staff, practitioners in global and government agencies in client countries, to improve the evaluation's accuracy and relevance. Such stakeholder interaction will contribute valuable information and qualitative data to supplement data, interviews, case studies, and other research. Consultations will also be held during field missions with stakeholders including government counterparts, bank staff, NGOs and other donors, private sector, and beneficiaries.

5.3 **Outreach strategy.** IEG aims to launch the report both in Washington, DC and at a major international venue. Outreach efforts will target key stakeholders, including staff at headquarters and country offices, other multilateral development banks and donors, and relevant international organizations and civil society organizations. Through these means and relevant international fora, the team will seek to maximize awareness and the value and use of findings and recommendations to strengthen development outcomes. A more detailed plan will be developed closer to completion of the evaluation.

6. Resources

6.1 Timeline and budget. The evaluation will be submitted to CODE by the end of Q2, FY2020, but will seek advance delivery if possible. The budget for the study from initiation to completion is estimated to be $950,000.

6.2 Team and Skills Mix. The skills mix required to complete this evaluation includes expertise in state owned enterprise reform in both real and financial sectors, evaluation techniques, knowledge of IEG methods, descriptive and inferential statistical, and portfolio analysis, familiarity with the policies, procedures and operations of IFC, MIGA, and the World Bank; and knowledge of relevant development partner activities. The evaluation team, led by Andrew Stone, includes Anjali Kumar; Stefan Apfalter; Aurora Medina Siy; Izlem Yenice; Jacqueline Andrieu, Migara Jayawardena (IEG); Adviser John Nellis; and Santiago Rodriguez, Ozlem Onerci and Nadia Asgaraly. Emelda Cudilla will provide administrative support. The report will be prepared under the direction of Stoyan Tenev and José C. Carbajo, and the overall guidance of Alison Evans, the Director General of IEG. Jozef Vaessen, IEG's methods advisor, will provide overall methodological guidance and Qihui Chen will provide specific guidance on econometrics.

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Appendix 2. Methodological Approach

Evaluation objective

1. **The objective of this evaluation is to enhance the Bank Group's effectiveness in supporting client countries in their efforts to manage the SOE agenda by obtaining evidence-based findings, developing broadly-applicable lessons across all Bank Group institutions and Global Practices, and proposing appropriate recommendations.**

2. **The evaluation objective inspired the evaluation questions which guided the collection and analysis of data and the framing of its findings and recommendations.** Evaluation questions were designed to break down this complex topic into answerable components in the areas of alignment, effectiveness, and internal and external factors affecting outcomes of SOE support (see section on the evaluation questions).

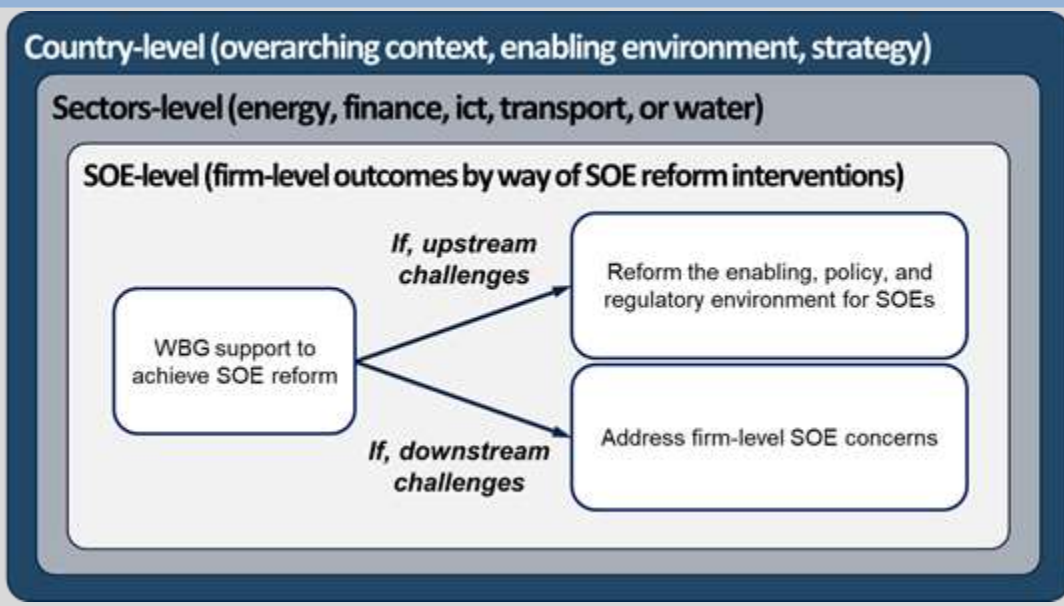
3. **The evaluation design benefited from valuable interactions with stakeholders and subject-matter experts and from a careful review of WBG publications that reference the institution's support to State Owned Enterprises.** During the early phases of the review, IEG interacted with World Bank staff working in priority areas such as the Vice Presidency for Equitable Growth, Finance, and Institutions (EFI), the FCI, Governance, Energy and Transport GPs, and IFC staff working on Sector Economics and in the Financial Institutions Group (FIG), among others. These interactions, together with a review of relevant literature and the most recently published World Bank Group working papers informed the evaluation approach by highlighting important concepts and frameworks and by revealing industry coding, system flags, and keywords that would facilitate the design of the analytical framework and the selection of evaluation methods.

Overarching principles and methods design

4. **Three central principles motivated the evaluation design: multi-level analysis, theory-based evaluation, and mixed-methods.** First, the evaluation will adopt a multi-level perspective because the assessment will cover the firm-level, sectoral, and national dimensions of World Bank Group support to SOE support (reform and engagement). Second, the evaluation will be grounded in a theory of change – i.e. a reconstruction of how the various Bank Group reform (upstream and firm-level) and engagement (direct and indirect) interventions supported client countries in addressing their most pertinent SOE concerns. This theory of change was developed using an iterative design process and will be reviewed with key stakeholders both internal and external to the Bank Group as the evaluation progresses. Third, the evaluation will follow a mixed-methods approach that combines a range of data collection efforts (i.e. internal project-level data, external country datasets, project performance data, semi-structured interviews, case studies, sector deep-dives, and structured literature reviews) that will be sequenced to build on each other as depicted in figure A1. Such methods will also support triangulation to ensure robustness of findings.

5. **Reflecting on the multi-dimensional nature of the evaluation subject, the analysis will be carried out at multiple levels.** The evaluation will cover multiple levels of analysis, namely at the country, sector, and enterprise level. Country-level analysis will cover the overarching context and enabling environment and the Bank Group's response at a strategic level. Sectors will be selected during the evaluation phase but may potentially include two of the following: energy, finance, ICT, transport, and water and sanitation. In terms of interventions, they cover the spectrum of support and include: (i) upstream reforms to the enabling environment for SOEs, (ii) downstream reform of SOEs at the firm-level, (iii) indirectly support SOEs through upstream and enabling environment engagement that generate external benefits, and (iv) directly support SOEs through downstream finance and technical assistance to leverage their role in pursuit of development objectives (see Figure A.2.1).

Figure A2.1. Stylization of the evaluation's multi-level analytical framework



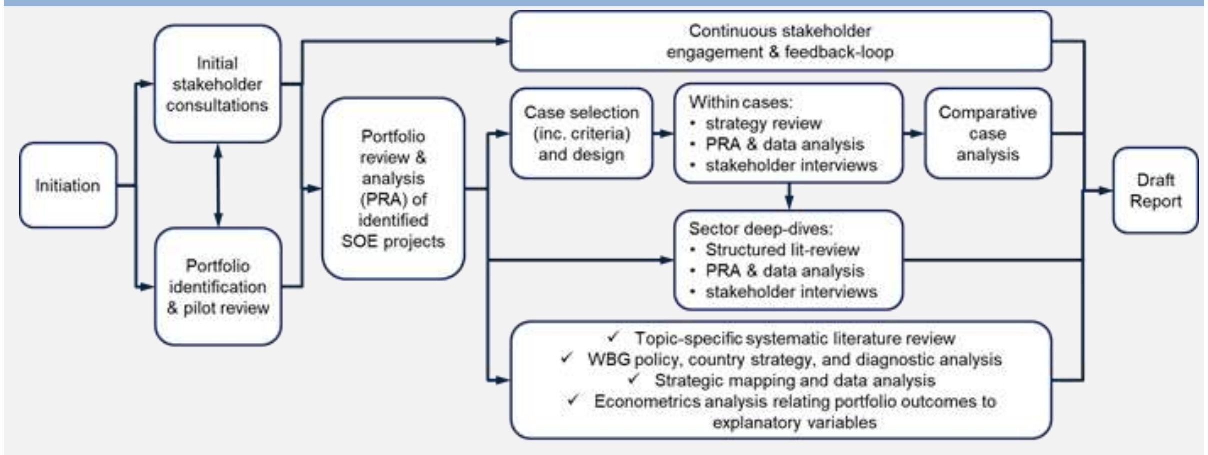
Source: IEG Review and interviews with World Bank Group subject-matter experts and management

6. **The evaluation will adopt a theory-driven approach to analyze the causal steps identified in the intervention logic.**[42] The underlying theory will be developed by reviewing the available literature on support to State-owned enterprises and will be complemented by semi-structured interviews with internal and external experts and a review of project- and country-level documentation. This approach will allow the evaluation to open the "black box" between intervention and outcome to provide information on whether the program succeeded and on "how" and "why" it did so, with a view of improving future program effectiveness. This approach should result in an improved program theory that can be incorporated into the broader body of knowledge.

7. **Underpinning the analytical framework is a sequenced mixed-methods approach.** The key methodological components include a structured review and analysis of the identified portfolio (PRA – described in appendix 5), sector-focused case studies, literature

and document reviews, and semi-structured interviews, following the below outlined sequence (see Figure A2.2).

Figure A2.2. Methods design: stylization of the evaluation components and their sequencing



Source: IEG Review and interviews with World Bank Group subject-matter experts and management

Interventions description

8. **A typology of the intervention dimensions was developed to capture the breadth of interventions undertaken by the Bank Group to promote market creation in client countries.** This review framework will be used to better understand the characteristics and their effectiveness in reaching the outcomes. The framework acknowledges that these interventions may co-occur within projects and that they may be sequenced in a programmatic manner. Figure A2.3 shows the framework applied and the scope of the evaluation, though it does not include related and complementary areas such as general macro factors and broad enabling sectors and conditions.

Figure A2.3. Interventions description

Reform the enabling, policy, and regulatory environment for SOEs	WBG policy advice (upstream work) that enhances the enabling, policy, and regulatory environment for SOEs, help introduce market discipline and competitive neutrality in SOE market/sectors, assess or reduce SOE subsidy pricing, assess or reform market dynamics in pursuit of an optimal mix of public and private ownership, promoting, designing, or implementing public financial management systems to assess and report on SOE liabilities and to deal with the fiscal effects of SOEs.	WBG DP[illegible] WB ASA IFC Advi[illegible]
Address firm-level SOE concerns	WBG support that addresses firm-level concerns through policy advice and direct investments. May include support to improve governance, transparency and accountability of SOEs by strengthening the state's ownership/oversight function over them and/or SOEs' financial accountability, controls and transparency; improve business and operational performance of SOEs through company restructuring, market assessments, product mix and process efficiency, performance management systems, restructuring debts/assets, and rehabilitating assets and infrastructure; and E&S aspects.	WBG DP[illegible] IFC Advi[illegible] IFC Inves[illegible] MIGA
Indirectly support SOEs through upstream and enabling engagements that generate external benefits	WBG support that would create a positive environment for SOEs. Such support may include investments in infrastructure that ultimately benefit a SOE, e.g. by reducing their operational costs, or interventions that indirectly enhance a SOE's capacity or position, e.g. arrangements where a SOE may be a reliable off-taker.	WB IPF IFC Advi[illegible] IFC Inves[illegible] MIGA
Directly support SOEs through downstream finance and technical assistance to leverage their role in pursuit of development objectives	World Bank and IFC investments and MIGA guarantees that directly benefit SOEs with the purpose of achieving country/sector development objectives through the SOE. Support may include expanding, sharpening, focusing or mandating a SOE's role in underserved segments of the market; supporting SOFIs to advance financial inclusion in rural or high poverty areas and their use of no-frill basic saving accounts; country-level support from development banks including their role in development agendas, partnerships with other institutions, and disbursements through apex banks.	WB IPF IFC Inves[illegible] MIGA

Source: IEG Review and interviews with World Bank Group subject-matter experts and management

Embedded country / sector-focused case studies

9. **The evaluation will conduct up to 25 case studies (5 country, 10 sectors, up to 10 enterprise) in five purposively-selected countries where the World Bank Group has delivered a program of support to State Owned Enterprises in the selected sectors.** The evaluation will carry out five country-level cases that address the Bank Group's engagement in the country with a focus on SOE support. Up to ten sector-level cases (5 each in the energy and financial sector) are envisioned to be nested in the country cases, covering the two selected sectors in each of the five countries. Further, up to 10 enterprise level cases are anticipated to be nested in the sector cases. Interventions will be assessed within the sector-level case studies. Thus, IEG expects the sector-level cases to the deepest and most detailed. This nested approach will facilitate the drawing of lessons across countries, within and across sectors and, potentially, across SOEs.

10. **Case selection and design will be informed by a systematic review of relevant literature and project documents to establish a logic that would allow for generalizability across the levels depicted in the evaluation's analytical framework.** Findings from these reviews will be used to develop the case protocols for comparative analysis. By using carefully constructed case protocols, the evaluation will be able to test findings against the established

logic and to compare them across sectors and intervention dimensions. In addition, cases will look at the country's experience beyond the WBG and will include support provided to the country by other MDBs, donors, and the private sector. Specifically, the Bank Group's engagement will be assessed at three levels:

- **Country:** covering context and overarching enabling environment (e.g. macro conditions, quality of institutions and regulations, depth and quality of financial markets); country priorities; and WBG response at a strategic level (e.g. SCDs, CPFs, ASA).
- **Sector:** covers history of WBG engagement in the sector and sector-specific enabling conditions relevant with a focus on what is relevant to SOE reform and engagement.
- **Enterprise-level:** in-depth review of individual SOEs identified in the country /sector portfolio of support to SOEs to better understand the effectiveness of interventions in influencing their performance and the factors that facilitated or constrained their implementation and success.

11. **Case selection will be systematic but purposeful to reflect a diversity of country conditions (including region, income level and stage of national or sectoral development) and experiences.** The following selection model will ensure the evaluation adequately balances the tradeoffs between depth and breadth of analysis while making sure the cases are selected in a systematic and transparent manner.

- The evaluation will examine the Bank Group's portfolio of support to identify a long-list of countries that meet the evaluation's selection criteria. These criteria may include (i) presence of direct support to SOEs, (ii) presence of WBG support to the enabling environment, (iii) presence of evaluation evidence (ICRs, XPSRs, PCRs, PERs) and (iv) an informative mix of country levels of income, sector development and region.
- The evaluation will use external data to identify relevant clusters of countries that would allow for a meaningful classification
- The evaluation team will also consult with internal and external experts to identify the countries that offer the richest opportunities for learning

12. **To facilitate comparison across sectors and SOEs, the evaluation will employ the same data collection methods and protocols in all cases.** These methods include: (i) a review of literature on SOEs, (ii) a detailed review of WBG country strategies, diagnostics, and relevant analytical works, (iii) a detailed desk review of WBG's portfolio of support to SOEs, and (iv) semi-structured interviews with project and non-project stakeholders (i.e. government, MDBs, private sector, NGO/CSOs, academics). In cases where quality data is available, case authors may use such data for analysis of relevance or to test the program's effectiveness. Figure A.4. depicts the expected data collection method for each level of case review.

Sector-focused deep-dives

13. **Sector deep-dives will provide an opportunity for the evaluation to study SOE reform at the sector level in a structured and focused manner.** The deep-dives methodology will include the following features:

- review of relevant literature (focused structured literature review)
- review of selected SOE reform topics in the portfolio (sample basis) to describe the portfolio features, relevance of interventions, and factors that facilitate or constrain their implementation as per evaluative evidence (evaluation documents)
- synthesis of case study drafts of the selected sector and SOE reform topics
- synthesis of the role of stakeholders (other than WBG) at the country or global level, drawing from case studies and additional focused research exercises

14. Sector deep-dive methodology may also be used for specific topics that may emerged as key during the evaluation implementation phase such as state-owned-development banks, privatization, corporate governance, or competition issues.

Country-level systematic review of policy, strategy, and diagnostics

15. **The evaluation will conduct a series of systematic document reviews to complement the evaluation's portfolio review.** The evaluation envisions carrying out a systematic review of country strategy documents to better understand the level of alignment and coherence of Bank Group country-level strategies and SOE reform concerns. A similar review will be carried out for those countries which have been subject to systematic country diagnostics. A categorical array will be developed to systematically assess evaluation questions across strategy documents and diagnostics.

Structured literature Reviews

15. The early stage of the evaluation will employ a structured review of relevant (internal and academic) literature on leveraging the private sector for sustainable development and growth across each of the selected sectors (energy, finance, and agribusiness). The objective is to understand the characteristics of this support and the role of complementary or sequential interventions that may influence its impact (e.g. role of the capital markets or investment climate). The review aims at generating insights in this regard and is intended to provide the theoretical basis for the evaluation to establish causal links between policies in support of PSP in the sector and to formulate the models adopted to validate the causal relationship of the WBG portfolio in leveraging the private sector to promote sustainable development and growth.

Semi-structured interviews

16. The evaluation team will carry out semi-structured interviews throughout the evaluation's lifecycle. At an early stage, the evaluation will carry out such interviews with a view of better understanding the underlying theory, getting to know the institutional

priorities (past, present, and future), and developing a set of preliminary hypotheses. During case studies, the team will carry out semi-structured interviews to gain deeper understanding of the program's features, its effectiveness, and lessons on what works. For each set of interviews, the evaluation team will develop an interview guide to ensure key questions are asked consistently across interviews while maintaining the flexibility needed to follow topical trajectories that stray from the guide where appropriate. A wide range of stakeholders will be identified for interview as part of the early stage theory building exercise and in case studies; these include, among others, WBG staff at headquarters and in the field, government agencies, multilaterals, donors, non-governmental agencies, civil society, academics, and private sector entities.

Review of databases and indicators

17. **The evaluation will identify and utilize indicators aligned with the evaluation questions and selected sectors to identify sector priorities and changes over time.** Indicators will be selected from data warehouses such as WDI (WB) and IMF and datasets such as Infrascope from the Economist Intelligence Unit (EIU), Global Competitiveness Index from World Economic Forum (GCI-WEF), Doing Business from the World Bank (WB-DB), Country Policy and Institutional Assessment from the World Bank (WB-CPIA), among others. Portfolio data will be mapped against these indicators.

Design limitations

18. **Several factors might constrain the evaluation; these fall broadly into two categories: limitations from conscious choices about scope and from the availability and quality of existing data and documentation.** To manage the tradeoff between breadth and depth of analysis, the evaluation approach makes the necessary choice of focusing the analysis on two key sectors and of selecting a two-phase portfolio review model as opposed to a standard portfolio-based model. This choice was informed by the literature and by initial stage stakeholder consultations. Data and documentation constrains will include, among others: (i) identification of cases will rely on external data (which may have caveats of its own and may not be complete for the full range of countries) and on WBG portfolio coding systems (which are not always accurate) and (ii) strategy- and project-level documentation which is not always available nor is it always consistent. In addition, though all lending operations in the World Bank are subject to self-evaluation and IEG validation, IFC Investments, IFC Advisory, and MIGA Guarantees are evaluated on a sample basis (approximately half of the population). Therefore, the size of the evaluated portfolio for these will be smaller than for World Bank lending operations.

Appendix 3: Detailed Design Matrix

The table below aligns evaluation questions with the evaluation design. Each check mark represents the strength of the method to answer the questions; i.e., one check mark suggests that the method will provide some data to answer the evaluation question while three check marks suggest the method is expected to provide a great deal of data to answer the evaluation question.

QUESTIONS	Case studies	PRA	Deep-dives	Lit review	Semi-structured interviews	Country-level reviews	Data analysis
1. Relevance: Does the WBG has a credible approach to achieving development impact through SOE reforms							
a) What has been the nature of client demands and WBG identified priorities for country, sector and firm-level SOE reforms?	✓✓✓	✓✓	✓✓	✓	✓✓✓	✓✓✓	✓✓
b) How aligned is WBG engagement with SOE reforms with country, sector, and SOE firm-level development priorities and capabilities?	✓✓✓	✓✓	✓✓		✓✓✓	✓✓✓	✓✓
c) To what extent has Bank Group support been aligned with relevant WBG strategic objectives?	✓✓✓	✓✓	✓✓		✓✓✓	✓✓✓	✓✓
d) How has the coherence and coordination of the WBG engagement with SOE reform evolved over time?	✓✓✓	✓✓	✓✓✓		✓✓✓	✓✓✓	✓✓
2. How effective are WBG's SOE reform interventions?							
a. How effective have WBG's SOE reform interventions been in helping clients to strengthen performance of SOEs at the enterprise, sector or national level?	✓✓✓	✓✓	✓✓		✓✓✓	✓✓	

QUESTIONS	Case studie s	PRA	Deep - dives	Lit revie w	Semi-structure d interviews	Country -level reviews	Data analysi s
b. How effective have WBG's SOE reform interventions been in helping clients to strengthen performance of SOEs at the enterprise, sector or national level?	✓✓✓	✓✓	✓✓	✓	✓✓✓	✓✓	✓✓
c. To what extent have WBG interventions contributed to improved economic, social and environmental outcomes at the enterprise, sector or national level	✓✓✓	✓✓	✓✓	✓	✓✓✓	✓✓✓	✓✓
3. To what extent do internal and external factors explain observed outcomes of SOE reform engagements?							
a. What internal factors (e.g., design, supervision, team composition, consistency, choice of instrument, M&E framework, collaboration, funding, etc.) and/or external factors (e.g., client commitment and political economy, public sector institutional capacity, private sector capacity and engagement) explain observed development outcomes of WBG's SOE reform interventions?	✓✓✓	✓✓✓	✓✓	✓✓	✓✓✓	✓✓	✓✓
b. What examples of good practice can be identified from the WBG's experience on SOE reform over the last ten years?	✓✓✓	✓✓✓	✓✓✓	✓	✓✓✓	✓✓	✓
c. What implications can be drawn from lessons of experience for the future involvement of the WBG on SOE reform?	✓✓✓	✓✓	✓✓✓	✓	✓✓✓	✓✓	✓

Appendix 4. Outline of Evaluation Report

Summary

Chapter 1. Introduction – Role of SOEs in Developing Economies

Chapter 2. Alignment of WBG Support to SOE Reform to country, sector and firm-level development priorities and capabilities

Chapter 3. Effectiveness of the World Bank Group's support to SOE Reform

Chapter 4. Factors affecting the performance of World Bank Group supported activities in SOE Reform

Chapter 5. Conclusion and Recommendations

Appendixes

Appendix 5. Preliminary Portfolio Review and Analysis, IEG Evaluation of WBG Support to the Reform of State-Owned Enterprises

Portfolio Review Framework and Identification Methodology

1. **The evaluation's portfolio review framework and identification methodology benefited from extensive interactions with stakeholders and subject-matter experts as well as from the review of available literature and project-level documentation.** During the early phases of the review, IEG interacted with World Bank Group staff supporting the State-Owned Enterprise (SOE) reform and engagement agenda. These interactions together with a review of relevant internal and external literature and project-level documentation informed the evaluation approach by highlighting important concepts and frameworks as well as revealing industry coding, system flags, and keywords that would facilitate the identification of the portfolio and its initial classification. During the evaluation phase, IEG will share the list of identified projects with relevant Bank Group departments to ensure completeness and accuracy of the portfolio.

Portfolio Review Framework

2. **IEG's portfolio review framework is designed to reflect the major interventions used by each of the World Bank Group institutions to engage with or support the reform of State Owned Enterprises (SOEs) in client countries.** IEG developed this framework using an

iterative consultation process with both internal IEG stakeholder as well as with broader World Bank Group stakeholders through the abovementioned interactions to test the internal validity of the instrument. The framework will be applied to all projects that provide support for the reform of or engage with SOEs to arrive at a unified portfolio view of the World Bank Group's support in this regard.

3. **The portfolio review framework will also be used to understand the effectiveness of these interventions.** The evaluation framework will account for the fact that SOE support may be one of many elements addressed by a project – for example, [need example]. Therefore, to understand the effectiveness of the SOE intervention in this context, IEG will design an effectiveness framework parallel to the intervention framework depicted in Figure A5.1. This effectiveness framework will rely on evaluative information available in ICR/ICRRs, XPSRs, PCRs, and PERs both in terms of indicators and their results as well as qualitative information on the achievement of their targets.

Interventions description

4. **A typology of the intervention dimensions was developed to capture the breadth of interventions undertaken by the Bank Group to promote market creation in client countries.** This review framework will be used to better understand the characteristics and their effectiveness in reaching the outcomes. The framework acknowledges that these interventions may co-occur within projects and that they may be sequenced in a programmatic manner. Figure A5.1 shows the framework applied and the scope of the evaluation, though it does not include related and complementary areas such as general macro factors and broad enabling sectors and conditions.

Figure A5.1. Interventions description

Reform the enabling, policy, and regulatory environment for SOEs	WBG policy advice (upstream work) that enhances the enabling, policy, and regulatory environment for SOEs, help introduce market discipline and competitive neutrality in SOE market/sectors, assess or reduce SOE subsidy pricing, assess or reform market dynamics in pursuit of an optimal mix of public and private ownership, promoting, designing, or implementing public financial management systems to assess and report on SOE liabilities and to deal with the fiscal effects of SOEs.	WBG DPO/IPF WB ASA IFC Advisory
Address firm-level SOE concerns	WBG support that addresses firm-level concerns through policy advice and direct investments. May include support to improve governance and accountability of SOEs by strengthening the state's ownership/oversight function over them and/or SOEs' financial accountability, controls and transparency; privatization; improve business and operational performance of SOEs through company restructuring, market assessments, product mix and process efficiency, performance management systems, restructuring debts/assets, and rehabilitating assets and infrastructure; and E&S aspects.	WBG DPO/IPF IFC Advisory IFC Investments MIGA
Indirectly support SOEs through upstream and enabling engagements that generate external benefits	WBG support that would create a positive environment for SOEs. Such support may include investments in infrastructure that ultimately benefit a SOE, e.g. by reducing their operational costs, or interventions that indirectly enhance a SOE's capacity or position, e.g. arrangements where a SOE may be a reliable off-taker.	WB IPF IFC Advisory IFC Investments MIGA
Directly support SOEs through downstream finance and technical assistance to leverage their role in pursuit of development objectives	World Bank and IFC investments and MIGA guarantees that directly benefit SOEs with the purpose of achieving country/sector development objectives through the SOE. Support may include expanding, sharpening, focusing or mandating a SOE's role in underserved segments of the market; supporting SOFIs to advance financial inclusion in rural or high poverty areas and their use of no-frill basic saving accounts; country-level support from development banks including their role in development agendas, partnerships with other institutions, and disbursements through apex banks.	WB IPF IFC Investments MIGA

Source: IEG Review and interviews with World Bank Group subject-matter experts and management

Identification Methodology

5. **IEG's identification methodology utilized the Bank Group's internal project coding framework as well as targeted keyword searches in text-based datasets to systematically capture and categorize the portfolio subsets relevant to SOE reform and engagement.** IEG employed the following steps to identify the evaluation's portfolio of projects:

i. First, retrieved projects identified using WBG's systems and system codes (e.g. sector, thematic, and industry codes),

ii. Then, for projects that do not contain at least one of the relevant system codes, performed a targeted keyword[43] search in text-based datasets (e.g. project level abstracts, objectives, and descriptions) and for World Bank lending and ASA also in the institution's operations portal,[44] and

iii. Finally, manually reviewed a simple random sample of projects (25 percent) identified in steps (i) and (ii) to identify false-positives and systematically categorize these projects with the goal of developing a unified picture of the features underpinning the SOE portfolio. This initial classification would also serve to recalibrate the identification strategy.

6. **For the World Bank, IEG identified several OPCS sector and theme codes relevant to the SOE evaluation.** Given that projects may contain one or more sector and one or more theme codes, IEG selected into its SOE portfolio any project that contained at least one relevant code. In addition, for Policy Operations, IEG searched inside the prior actions database for operations which contained at least one prior action classified under a relevant sector or theme code (see Table A5.1). In addition, IEG ran a targeted keyword search in project titles (both lending and ASA), in a text-based dataset that contains project abstracts and other memo fields (lending only), and in the operations portal. This resulted in a list of 1,002 and 1,706 World Bank lending projects and additional finance operations and World Bank ASA activities, respectively, accounting for 16 and 15 percent of each institution's portfolio. For World Bank Lending, the sample manual review as described in step (iii) revealed that 74 percent of projects contain at least one intervention that fit the definition adopted by the evaluation. Extrapolating to the rest of the portfolio, this results in a portfolio of approximately 741 World Bank Lending projects. For ASA, the sample manual review revealed that nearly 60 percent of ASA contained substantial SOE content that fit the evaluation's definition of SOE support, resulting in a portfolio of approximately 1,024 SOE ASA activities.

Table A5.1. WBG system codes and keyword search strategy to identify SOE portfolio

(a) IFC sector and industry	(b) WB lending & ASA	(c) MIGA sector
Codes: • None available **Keyword searches in:** • Project title, IFC AS memos, IFC IS SPI memos	**Theme code:** • State-owned Enterprise Reform and Privatization (436) • Search carried out in: project and prior action level for WB IPF, DPF, and WB ASA (ESW/TA) **Keyword searches in:** • Project title, project abstracts, operations portal, prior actions	**Codes:** • None available **Keyword searches in:** • MIGA Portal project briefs Additionally, MIGA SOE includes list of non-honoring projects.

Source: IEG Review and interviews with World Bank Group subject-matter experts and management.
Note: stemmed keywords used include state_own public_own publicly_own government_own state_enter privatiz government_bus government_enter crown_corp commercial_government public_sector_under parastatal nationalized municipalized soe sob sofi.

7. **For IFC Investments and Advisory Services, there were no sector or industry codes that could facilitate identification, yet the targeted keyword search proved fruitful.** Applying a targeted keyword search strategy to project descriptions resulted in the identification of 263 IFC Investment operations and 211 IFC Advisory activities, accounting for 8 and 12 percent of their respective total portfolios. The sample manual review shows that nearly sixty percent of projects identified meet the evaluation's definition, resulting in a revised portfolio of 155 IFC Investment operations and 131 IFC Advisory activities.

8. **Similarly, for MIGA, IEG used targeted keyword search and the list of non-honoring projects to identify projects that support SOE reform in client countries.** This targeted keyword search strategy resulted in the identification of 42 guarantees which account for 17 percent of the institution's portfolio in term of numbers of projects.

9. **In addition, IEG used existing system codes to identify relevant sector-based portfolio segments.** To achieve this, IEG retrieved projects using relevant WBG system codes (e.g. sector, thematic, and industry codes) and were manually reviewed as per step (iii) above to achieve a unified picture of their features and characteristics. For more on the system codes used to identify these portfolio segments, see figure A5.2.

Table A5.2. WBG system codes to identify sector-based portfolio segments

(a) IFC sector and industry	(b) WB lending & ASA	(c) MIGA sector
Energy: • Primary sector: Electric Power	**Energy:** • Sector codes: LA, LB, LD, LE, LH, LI, LN, LT, LU, LW • Theme codes: 86	**Energy:** • Sectors: Power
Finance: • Primary Sector: Finance & Insurance	**Finance:** • Sector codes: FX (financial sector) • Theme codes: 30 (Finance)	**Finance:** • Sectors: Banking, Capital Markets, Financial Markets, Financial Services, Leasing
ICT: • Primary Sector: Information	**ICT:** • Sector codes: CX (ICT) • Theme codes: 26 (ICT), 261 (ICT solutions), 262 (ICT policies)	**ICT:** • Sectors: Telecommunications
Transport: • Primary Sector: Transportation & Warehousing	**Transport:** • Sector codes: TX (transportation) • Theme codes: 713	**Transport:** • Sectors: Transportation
Water: • Secondary Sector: o Waste Treatment and Management o Water, Wastewater and District Heating & Cooling	**Water:** • Sector codes: WX (water & sanitation) • Theme codes: 716 (Urban water & sanitation)	**Water:** • Sectors: Water, Water and Wastewater

Source: IEG Review and interviews with World Bank Group subject-matter experts and management

The World Bank Group's Operational Engagement: A Snapshot

10. **The World Bank Group's SOE portfolio is expansive in terms of number of projects and commitments.** Over the ten-year period between FY2008 and FY2018, the World Bank Group has approved and delivered just over 2,000 investments and activities accounting for

over 50 US$B in total project volume. On average, the SOE portfolio accounts for nearly ten percent of the total Bank Group portfolio – though there is some variability with SOE accounting for 12 percent of the World Bank lending portfolio while SOE accounts for just over five percent of the IFC Investment portfolio. In addition, to enhance the evidence base for effectiveness analysis, IEG has identified projects which were evaluated between FY2008 and FY2018, even if they were approved before FY2008 but not earlier than FY2000. This selection resulted in the identification of 860 evaluated SOE projects (see table A5.3).

Table A5.3. World Bank Group SOE Portfolio by Institution (FY2008-2018)

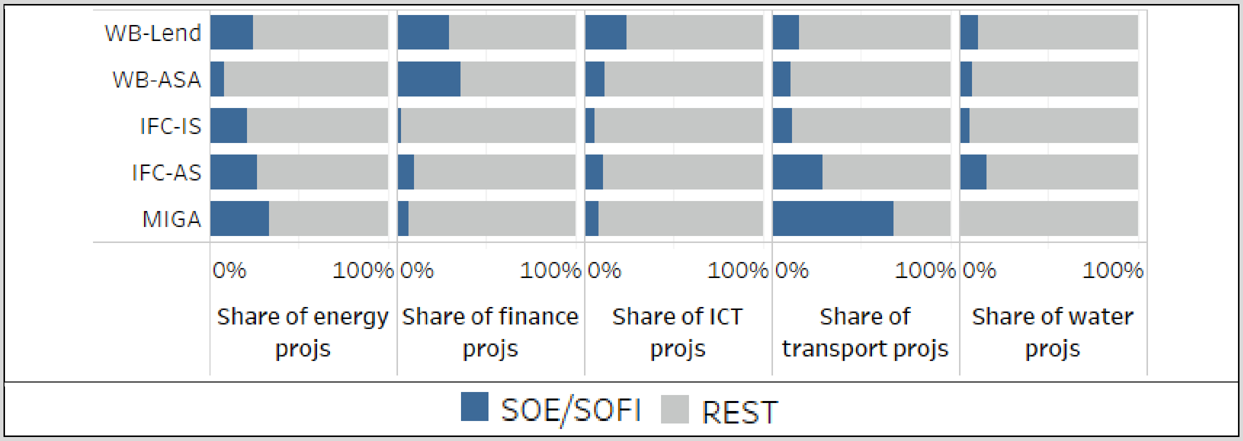
Institution	Total No. Projs Approved FY08-18	Share of total portfolio	WBG Volume	Share of total portfolio	# Projs Evaluated FY08-18
World Bank Investments & Policy Operations	741	12%	31,688	7%	704
IFC Investment Services	155	5%	10,432	7%	90
IFC Advisory Services	133	7%	253	10%	57
MIGA Guarantees	42	15%	9,096	29%	9
Sub-total	**1072**	**9%**	**51,470**	**8%**	**860**
World Bank ASA	1058	9%	356	11%	-
Total	**2,129**	**9%**	**51,825**	**8%**	**860**

Source: IEG Preliminary Portfolio Review.
Note: All numbers and volumes estimated based on 25 percent sample described in the section above on identification methodology. Number of evaluated projects based on projects that were evaluated between FY2008 and FY2018 were identified using the same methodology as the approved portfolio but will be used for effectiveness analysis. WBG volume for WB Investments and Policy Operations based on average percent allocated to SOE-coded projects in WB system (~33 percent).

11. **World Bank Group SOE portfolio by institution, highlights:**

- ✓ **In energy,** the SOE portfolios for MIGA with 33 percent is the institution with the most SOE projects as a share of projects with an energy component, followed closely by IFC investment with 27 percent.
- ✓ **In Finance,** WB ASA and investment SOE projects account for 35 and 30 percent of all WB ASA projects with a finance component.
- ✓ **In ICT,** WB investment SOE projects account for nearly 25 percent of all WB investment projects with an ICT component.
- ✓ **In transport,** MIGA with 68 percent and IFC advisory with 31 percent are the institutions with the most SOE projects as a share of all IFC AS projects with a transport component.
- ✓ **In water,** IFC advisory SOE projects account for nearly 15 percent of all IFC advisory projects with a water component.

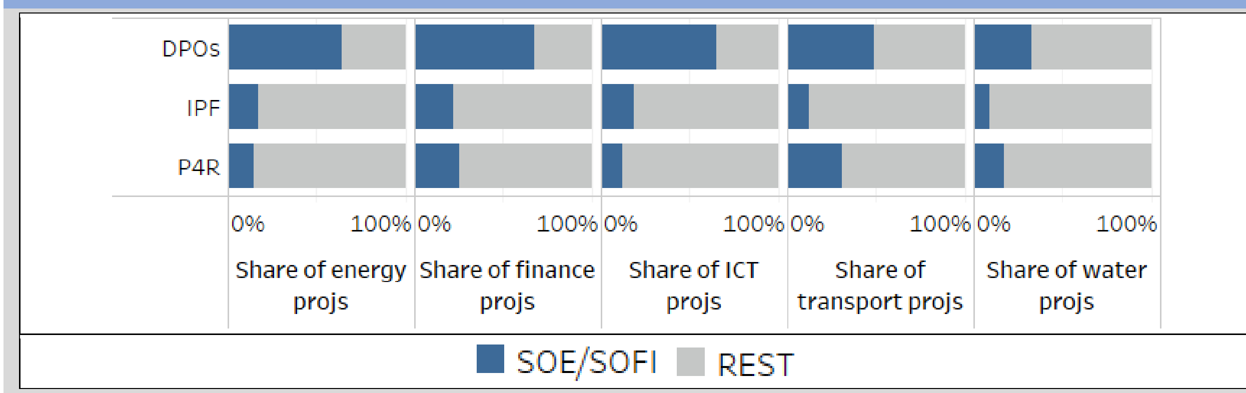
Figure A5.4. Share of World Bank Group SOE projects by institution and sector



Source: IEG Preliminary Portfolio Review.

12. **Within WB-Lend, there is a similar breakdown of SOE vs. non-SOE projects by IPFs and DPOs where SOE projects are more prevalent in the DPO portfolio segment than in the IPF portfolio segment; as depicted in the figure below.**

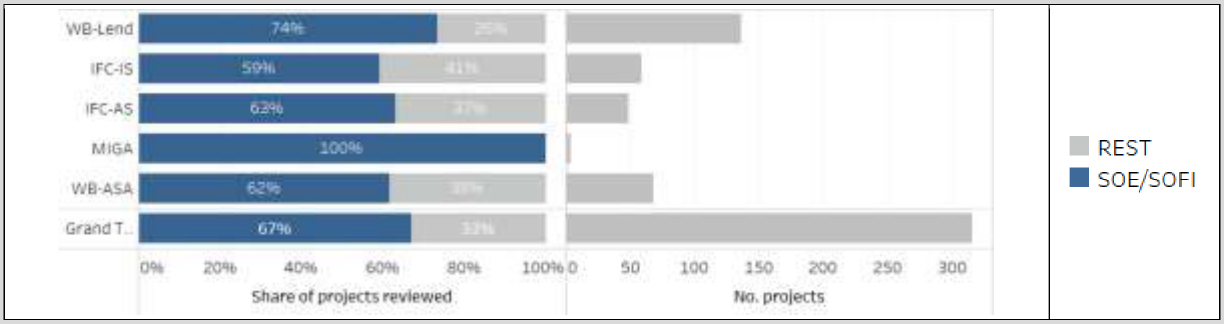
Figure A5.5. Share of World Bank investments by lending instrument and sector



Source: IEG Preliminary Portfolio Review

13. **The manual pilot review, however reveals nearly a third of projects identified using system codes and keywords do not meet the evaluation's definition for SOE support.** For the overall portfolio, just over 300 projects where reviewed with a resulting average false-positive rate of approximately a third; below is the summary by institution.

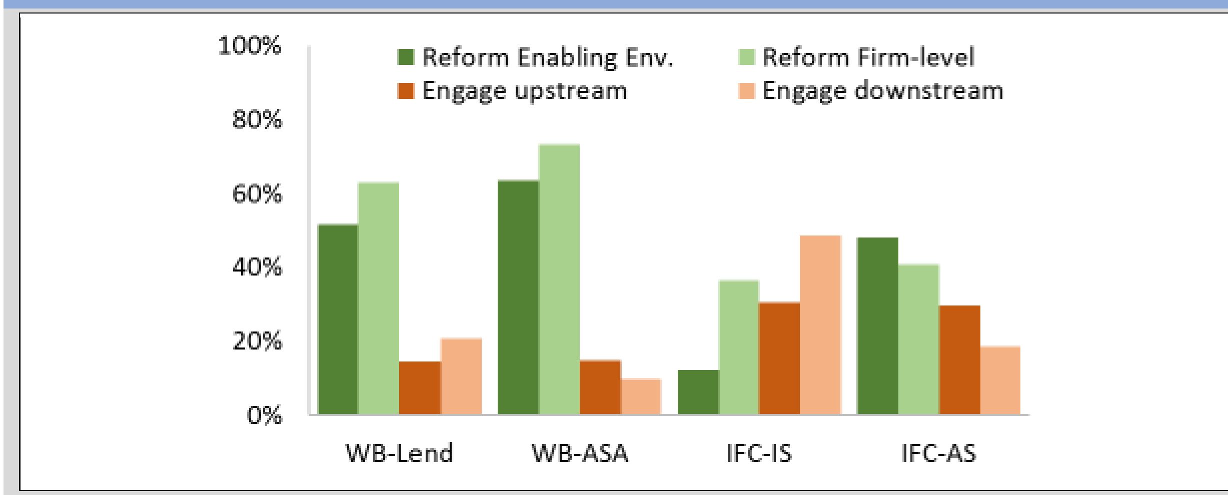
Figure A5.6. Share of SOE projects manually reviewed that are aligned with the evaluation definition



Source: IEG Preliminary Portfolio Review

14. **The pilot review reveals the following distribution by intervention type; where interventions are described in the PRA framework above (figure A5.2 above).** The most prominent intervention types are reform of the enabling environment and firm-level reform, except for IFC Investments where indirect engagement with SOEs accounts for nearly half of projects reviewed.

Figure A5.7. Share of SOE projects by intervention type and institution



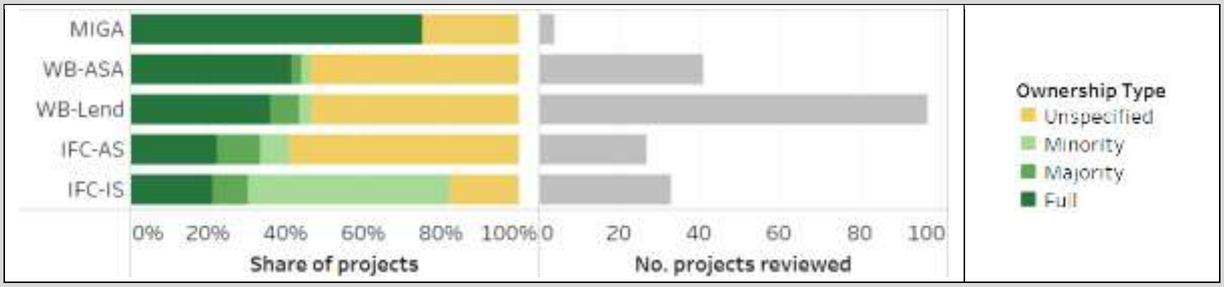
Source: IEG Preliminary Portfolio Review.

Note: Numbers may add up to more than 100 percent as projects can cover one or more intervention areas. MIGA had only two projects in the sample and was therefore not included in this figure.

15. **In terms of type of SOE ownership, the pilot review reveals that most projects (52 percent) describe the ownership status of the targeted SOE.** In most cases (34 percent) this means full government ownership. Another 18 percent show a mixed ownership. The remaining 48 percent either support multiple SOEs with varying degrees of government ownership or it was unspecified by the project (e.g. policy reform that addresses constraints of

all SOEs irrespective of level of ownership). IFC Investments support more minority-ownership SOEs than the rest of the portfolio.

Figure A5.8. Share of SOE projects by intervention type and institution



Source: IEG Preliminary Portfolio Review.

Note: TBD.

16. **Ownership type describe the degree of ownership that a state or government has over an enterprise at project appraisal.** A categorical array will be developed to facilitate the analysis of SOE projects; this array will include the following four categories:

17. **Full ownership** occurs when the state owns and manages 100 percent of the SOE that is intervened by Bank Group projects. For example, in India, a Bank lending project supported POWERGRID, a public limited company wholly owned by the government.

18. **Majority ownership** occurs when the state owns 50 percent or more of the SOE being intervened at the time of project appraisal. For example, in Brazil, IFC advisory supported the government in structuring and implementing the privatization of CELG, a publicly-traded and mixed-capital energy distribution company whose majority owner is the State of Goiás.

19. **Minority ownership** occurs when the state owns less than 50 percent of the SOE being intervened at the time of project appraisal. For example, in the Africa region, the Bank supported a regional approach which included support to increase geographic reach and usage of reginal broadband and network services in Sao Tome and Principe through an operator whose state ownership was 49 percent.

20. **Multiple or unspecified ownership** most often occurs when projects address upstream challenges that apply to all or many SOEs. For example, in Belarus, a follow-up ROSC TA addresses SOEs and includes a policy recommendation on requirements that "all SOEs of a certain size be audited annually irrespective of state inspections." Additionally, there are cases where neither project documents nor independent research allows for the determination of the degree of state ownership, in which case the evaluation will tag such projects as unspecified.

Appendix 6. Endnotes

[1] The definition of state-owned enterprise (SOE) is elaborated in Box 2.

[2] Examples include industrial policy, regional development, the supply of public goods, as well as the existence of so called "natural" monopolies where competition is not deemed feasible." OECD (2015), OECD *Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition*, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264244160-en

[3] Ceyla Pazarbasioglu Steps to increase cooperation between national development banks, the private sector and multilateral banks (World Bank, Voices: Perspectives on Development (Blog), 10/26/2017 https://blogs.worldbank.org/voices/steps-increase-cooperation-between-national-development-banks-private-sector-and-multilateral-banks

[4] For example, when a Brazilian Iron Ore SOE was privatized, not only did it become more productive, but productivity grew for private competitors in the sector as well. See James A. Schmitz Jr. and Arilton Teixeira *Privatization's impact on private productivity: The case of Brazilian iron ore* in Review of Economic Dynamics 11 (2008) 745–760 www.elsevier.com/locate/red

[5] For example, in China, SOEs account for 57% of corporate debt (valued at 72% of GDP) although they are responsible for less than 20% of output and employment. W. Raphael Lam, Alfred Schipke, Yuyan Tan, and Zhibo Tan. *Resolving China's Zombies: Tackling Debt and Raising Productivity* (Washington, DC: IMF Working Paper Series 17/266, November 2017). For revenue generating companies (e.g. state oil companies), these losses can take the form of foregone revenues to the government.

[6] "Compared to other companies, SOEs have specific corruption risks because of their closeness to governments and public officials and the scale of the assets and services they control. Some of the biggest recent corruption scandals have involved state-owned enterprises, which clearly shows the risks that these companies face.
In Brazil, the state oil company Petrobras was the focus of a major corruption scandal involving illegal payments to politicians and bribes that led to immense economic, political and social damage that affected the whole country. The Nordic telecoms giant Telia was recently caught bribing for business in Uzbekistan, which resulted in fines of US$965 million." Transparency International Secretariat. *Transparency International launches 10 anti-corruption principles for state-owned enterprises* (November 2017) https://www.transparency.org/news/pressrelease/transparency_international_launches_10_anti_corruption_principles_for_soes

[7] A recent IMF study of emerging Europe found "Profitability and efficiency of resource allocation of SOEs lag those of private firms in most sectors, with substantial cross-country variation. Poor SOE performance raises three main risks: large and risky contingent liabilities could stretch public finances; sizeable state ownership of banks coupled with poor governance could threaten financial stability; and negative productivity spillovers could affect the economy at large." Uwe Böwer *State-Owned Enterprises in Emerging Europe: The Good, the Bad, and the Ugly* (Washington, DC: IMF Working Paper 17/221, October 2017)

[8] "The significant extent of state ownership among the world's top companies raises a question about its impact on the global competition. The triple role of the government as a regulator, regulation enforcer and owner of assets opens a possibility of favourable treatment granted to state-owned enterprises in some cases. These advantages can take the form of, for instance, direct subsidies, concessionary financing, state-backed guarantees, preferential regulatory treatment, exemptions from antitrust enforcement or bankruptcy rules." Kowalski, P, M Büge, M Sztajerowska and M Egeland (2013), Ibid.

[9] *Thus, in place of a simple pro-privatization bias characteristic of the Washington consensus, it is now proposed that governments should first provide a better regulatory and institutional framework, including a well-functioning capital market and the protection of consumer and employee rights. In other words, context matters: ownership reforms should be tailor-made for the national economic circumstances, with strategies for privatization being adapted to local conditions.* Saul Estrin, Adeline Pelletier *Privatization in Developing Countries: What Are the*

Lessons of Recent Experience The World Bank Research Observer, Volume 33, Issue 1, 1 February 2018, Pages 65–102, https://doi.org/10.1093/wbro/lkx007

[10] *The worldwide trend toward privatization of state-owned enterprises that set in during the 1980s was largely motivated by the promise of improved efficiency and economic gains. …Attention to the environmental and social aspects of private sector development is increasingly seen as an integral part of sustainable development. Progressive business leaders around the world are starting to recognize that the financial, environmental, and social aspects of business performance are all important elements of shareholder value-as expressed in the triple bottom line concept. can do to help client countries establish the conditions.* Kristalina Georgieva, Director, Environment Department in M. Lovei and B. Gentry. The Environmental
Implications of Privatization: Lessons for Developing Countries (Washington: World Bank, 2002)
[11] *Countries will only meet the SDGs and improve the lives of their citizens if they raise more domestic revenues and attract more private financing and private solutions to complement and leverage public funds and official development assistance.* Hartwig Schafer, Maximizing finance for development works (World Bank Voices Blog, 02/15/2018) https://blogs.worldbank.org/voices/maximizing-finance-development-works
[12] World Bank Group *Corporate Governance of State-Owned Enterprises: A Toolkit* (Washington: World Bank Group, 2014)
http://documents.worldbank.org/curated/en/228331468169750340/pdf/913470PUB097810B00PUBLIC00100602014.pdf
[13] OECD. *Policy Brief on Corporate Governance pf State-Owned Enterprises in Asia: Recommendations for Reform* (OECD Network on Corporate Governance of State-Owned Enterprises in Asia, 2010)
http://www.oecd.org/daf/ca/corporategovernanceofstate-ownedenterprises/45639683.pdf
[14] Kowalski, P, M Büge, M Sztajerowska and M Egeland (2013), *State-Owned Enterprises: Trade Effects and Policy Implications*, OECD Trade Policy Paper, No. 147, OECD Publishing.
[15] Price Waterhouse Coopers (2015) State-*Owned Enterprises: Catalysts for public value creation?*
https://www.pwc.com/gx/en/psrc/publications/assets/pwc-state-owned-enterprise-psrc.pdf
[16] "The OECD estimated that in value terms SOEs active in the network sectors represent about half of the total value of SOEs in OECD countries and 60% of jobs. The energy and transport sectors alone count for about 40% of the total value of SOEs Valuation based on market values for listed entities and book equity value for unlisted entities." Mirco Tomasi, Martijn Brons *Firm ownership and financial performance: an empirical assessment in the energy and rail sectors* (European Commission, 2015) http://ec.europa.eu/economy_finance/events/2015/20151124-workshop/documents/soes_performance_section_i_ecfin_en.pdf
[17] Kowalski, P, M Büge, M Sztajerowska and M Egeland (2013), *State-Owned Enterprises: Trade Effects and Policy Implications*, OECD Trade Policy Paper, No. 147, OECD Publishing.
[18] The Economist, *New Masters of the Universe* January 21st, 2012, Special Report on State Capitalism, p. 6
[19] OECD (2018), SOEs and the Low Carbon Transition, based on OECD data and World Electric Power Plant Database
[20] Share of national/state-controlled companies to MSCI emerging market index. Economist (2012), *The Visible Hand*. Ibid, p. 4
[21] Cited in OECD (2011). State-owned enterprise governance reform: An inventory of recent change. Paris: OECD.
[22] Ferrari, Aurora; Mare, Davide Salvatore; Skamnelos, Ilias. *State ownership of financial institutions in Europe and Central Asia* (Washington: World Bank Group Policy Research Working Paper Series no. 8288, 2017)
http://documents.worldbank.org/curated/en/774471513778818629/State-ownership-of-financial-institutions-in-Europe-and-Central-Asia
[23] See, for example, F. Bokhari and K. Stacey. *Pakistan considers mass privatisation drive as it seeks IMF bailout* (Financial Times: August 2, 2018) https://www.ft.com/content/43253dde-962d-11e8-b67b-b8205561c3fe ;
M. Stevis-Gridneff. *Ethiopia Opens Door to the World With Unprecedented Privatization Plan* (Wall Street Journal, June 6, 2018) https://www.wsj.com/articles/ethiopia-opens-door-to-the-world-with-unprecedented-privatization-plan-1528275922 and Trend. *Kazakhstan increases list of privatized enterprises* (Azernews, July 17, 2018)
https://www.azernews.az/region/134940.html
[24] This includes enhancing the oversight capacity of relevant sectoral ministries, regulatory bodies and auditors.

[25] Mongolia: Financial Capacity Development Project (P071023) http://imagebank.worldbank.org/servlet/WDS_IBank_Servlet?pcont=details&menuPK=64154159&searchMenuPK=64154240&theSitePK=501889&siteName=IMAGEBANK&eid=000094946_02060404024577 Other components addressed upstream reforms.

[26] The preliminary portfolio identification and review is based on from multiple interviews with internal stakeholders and subject-matter experts and a review of available literature and project-level documentation and the identification methodology laid out in Annex 6. The portfolio framework relates directly to the intervention logic in order to capture project interventions used by each of the World Bank Group institutions to engage with or support the reform of State Owned Enterprises (SOEs) in client countries. As with all major evaluations at the approach stage, this is a preliminary identification. During the evaluation, identification will be refined, including through the identification of false positives that do not meet IEG's criteria for SOE engagements and false negatives – project interventions that were not initially identified or captured. Preliminary sampling indicates that up to a third of the initially identified projects may prove to be false positives. During the evaluation, IEG will share its revised portfolio with relevant WBG counterparts for comment and contribution.

[27] For project identification, this evaluation will cover the 11 years of projects prior to it (fy19 to be added); while for mciroevaluative evidence it will cover the prior 11 years of evaluated projects.

[28] In the Bank Group's classification, this includes extractive enterprises such as state-owned oil companies.

[29] Towards the end of the 1980s, the Bank's disappointing experience with state-owned enterprise reform shifted attention to privatization. …With the establishment of the Finance and Private Sector Development (FPD) vice-presidency in the re-organization of 1993, the Bank tried to take on a more activist role again. …All in all, the trend in IBRD/IDA has been to emphasize policy reform and to withdraw from direct support to state-owned enterprises and individual investments that the private sector might be better placed to undertake (Figures 8 and 9). IFC has emerged as the main instrument for direct assistance to private firms. World Bank. Private Sector Development Strategy - Directions for the World Bank Group (Washington: April 9,2002).

[30] "The experience with privatization, which is as controversial or more so than that of trade liberalization, shows success - when done right. Studies of several thousand of privatization cases in countries across the globe suggest that privatization into a competitive or well-regulated market environment is typically better than state ownership. Even when the environment was not prepared perfectly, privatization has fared relatively well compared to realistic alternatives."

[31] "Despite the wave of privatizations that have occurred over the past fifteen years, SOEs continue to occupy a central role in many economies in terms of value added relative to GDP, employment and investment. Yet the performance of SOEs has been largely disappointing and the negative impact on macroeconomic stability severe. Inefficient public enterprises have undermined the operation of financial systems, fueled inflation, increased public debt while acting as an obstacle to private business." Muir, Russell and Saba, Joseph P. *Improving state enterprise performance: The role of internal and external incentives (*Washington: World Bank Technical Paper, 1995 https://doi.org/10.1596/0-8213-3470-0

[32] On the reform side: "[I]t is essential to ensure the successful operation of DBs that (i) a market failure that can be mitigated through public intervention has been properly identified and that a DB is the most effective policy instrument to deal with such failure; (ii) the operation of the DB is not going to cause significant market distortions; and (iii) a robust governance structure for the DB is put in place to ensure its financial sustainability." *Development Banks: Role and Mechanisms to Increase their Efficiency* Eva Gutierrez Heinz P. Rudolph Theodore Homa Enrique Blanco Beneit Policy Research Working Paper 5729 July 2011 On the privatization side,

[33] Now the Finance, Competition and Innovation GP.

"IFC's management regards financing of SOEs has as sometimes being "an effective method of promoting the long-term interests of private sector development in particular countries" if carried out under the principles of "competitive neutrality." "State banks are typically vehicles for patronage that worsen the prospects for competitive market development. Alternatively, these state banks can be ineffective shells that fail to perform a useful intermediation role once the government imposes effective hard budget constraints and a modern supervisory system…." Sherif, Khaled; Borish, Michael; Gross, Alexandra. 2003. *State-owned Banks in the Transition: Origins, Evolution, and Policy Responses*. Washington, DC: World Bank. © World Bank. https://openknowledge.worldbank.org/handle/10986/14851

[35] IEG interviews with MIGA.

[36] IEG. ICR Review for Ukraine Development Policy Loan 2, Report Number ICRR13753, 2011.
[37] Embedded case design: https://www.sagepub.com/sites/default/files/upm-binaries/41407_1.pdf
The design calls for five country cases to allow for the capture of regional and income-based variation in country experience, constrained by a resource envelope not permitting additional field-based cases.
[38] IEG. *World Bank Group Support to Electricity Access*, FY2000-2014 (Washington: IEG, 2016)
[39] IEG. *World Bank Group Support to Public Private Partnerships—Lessons from Experience in Client Countries FY02-12* (Washington: IEG, 2013)
[40] IEG. *A Thirst for Change: The World Bank Group's Support for Water Supply and Sanitation, with Focus on the Poor* (Washington, IEG, 2017)
[41]IEG. *Mobile Metropolises: Urban Transport Matters -- An IEG Evaluation of the World Bank Group's Support for Urban Transport* (Washington: IEG, 2017)
[42] Chen, 2012. "Purpose of theory-driven evaluation is not only to assess whether an intervention works or does not work, but also how and why it does so." He differentiates theory-driven evaluation from "black-box" which mainly assesses whether an intervention has an impact on outcomes and from "methods-driven" evaluation which uses a research method as a basis for conducting an evaluation.
[43] Stemmed keywords used: state_own public_own publicly_own government_own state_enter privatiz government_bus government_enter crown_corp commercial_government public_sector_under parastatal nationalized municipalized soe sob sofi
[44] https://ophomec.worldbank.org/operations/home.html