Helpdesk Report

K4D Knowledge, evidence and learning for development

State Owned Enterprises and Public Finances in Developing Countries: The Impact of Economic and Health-related Crises

Kelbesa Megersa
Institute of Development Studies
07 September 2020

Question

What is the scope, size and role of SoEs in developing countries and what is the impact (in terms of costs, profits, debts / contingent liabilities) of economic and health-related crises (including COVID-19) on state owned enterprises and public finances in developing countries?

Contents

1. Overview

State-owned Enterprises (SOEs) are important actors in both developing and developed economies. The proportion of SOEs among the world's largest firms has increased significantly over the last two decades, driven mainly by the rapid growth of SOEs in emerging markets (Gaspar et al. 2020; World Bank 2020a). In some instances, SOEs hold a dominant position in the market and are often an important source of employment. SOEs also play a significant role in public investment – and on average accounted for over 30 percent of infrastructure investment in sub - Saharan Africa in 2017 (Harris et al., 2020. P2). Although the involvement of SOEs may be warranted in some cases, e.g. in resolving market failures, it is important to consider that in some cases private companies may offer the same goods or services in a sustainable and more efficient manner (Gaspar et al., 2020; World Bank, 2020a).

SOEs are often clustered in essential and strategic sectors. In many developing countries, SOEs play an important role in supplying basic services such as electricity, water, telecommunications, and other public utilities. The failure of SOE in these sectors is likely to cause systemic problems for the economy and affect efforts to contain the spread of COVID-19. In addition, SOEs are often key players in strategic sectors. These include the extraction and processing of natural resources, the operation of strategic infrastructure such as airports and ports, the delivery of transport services such as national airlines and rail services, and the buying and reselling of agricultural products (Harris et al., 2020).

After and during major crises, developing economies tend to resort to state intervention policies to achieve desired outcomes of public interest. Historically, SOEs have been called upon as producers and suppliers of emergency supplies.[1] During the current crisis of COVID-19, governments are under pressure to maintain public services and need to guarantee the availability of vital goods and services at a time when supply chains may be severely disrupted (World Bank, 2020a). Policymakers aim to secure national interests or jobs in sensitive sectors. For instance, SOEs supply water and electricity, including in some cases at subsidised prices, and allow deferred payments to poor households and less-profitable firms. Public banks are being asked to provide loans to families and Micro, Small and Medium-sized Enterprises (MSMEs) in many countries (Harris et al., 2020).

Further, some SOEs are themselves likely to face significant financial distress during the ongoing COVID-19 crisis, forcing governments to provide support. Governments may decide to intervene to provide liquidity or address solvency issues to strategic SOEs (e.g. medical product manufacturers, health service providers, water and electricity utilities, transport agencies, etc.) – or to all firms (public and private) in these sectors. Nevertheless, governments

[1] In Ethiopia, textile SOEs (together with private textile firms) have partly switched their production processes to manufacture protective face masks (Weber, 2020; Megersa, 2020). See also https://www.fanabc.com/english/some-67-companies-to-start-face-mask-production/. In Indonesia, defence Industry SOEs are producing ventilators for hospitals. See https://jakartaglobe.id/tech/indonesian-defense-industries-to-produce-ventilators.

with weak public finances in developing countries (e.g. many DFID partner countries)[2] will struggle to provide adequate financial support to their SOEs. The support will also need to be well designed and targeted to the COVID-19 crisis to prevent the provision of bailouts to cover SOEs' inefficiencies and mismanagement (Harris et al., 2020).[3] In addition, poorly designed emergency support to SOEs can often undermine corporate governance and transparency of SOEs and generate market distortions, i.e. also adversely affecting the private sector (World Bank, 2020a; IMF, 2018).

Most DFID partner developing countries have passed fiscal measures that have been intended to support SOEs during the current crisis – although the schemes are usually broadly designed for all firms (e.g. all large firms, SOEs or otherwise). In some cases, SOEs (particularly public banks or financial SOEs) have been used by governments to support private sector firms (e.g. MSMEs) though COVID-19 targeted provisions. Some examples include:

- **India** has provided over USD 20 billion as a stimulus funding, including deferral of taxes for key affected firms in sectors such as air transport and hospitality. The scheme supports key SOEs and private firms. Further, the Small Industrial Development Bank of India (i.e. financial SOE) is supporting Indian MSMEs that are manufacturing products or offering services linked to COVID-19.
- **Kenya** has readied a financial package to support its tourism industry. The assistance may benefit hotels, travel agencies, and airlines (SOEs and private).
- **Nigeria** is supporting strategic sectors (such as airlines – SOEs and otherwise) affected by the crisis. This includes interest rate cuts and grace periods on loans. Further, a special credit facility has been prepared to support MSMEs (e.g. in health, tourism, agriculture, etc. sectors) and households.
- **Ethiopia** is providing state guarantees for loans (e.g. debt relief and additional loans) to facilitate liquidity in its banking system.
- **Congo**, D.R. is providing financing (at zero rates) to firms in distress in pharmaceutical, agriculture, retail, and logistics sectors. It is also providing several exemptions on duties, taxes, fees, etc. on transactions involving pharmaceutical products and medical equipment needed to fight COVID-19. Certain taxes on agricultural produces and Value Added Tax on imported necessities were given a three-month waiver.

Nevertheless, it is worth noting that there is some key limitation in the evidence base (e.g. academic studies) around the impact of COVID-19 crisis on SOEs. Admittedly, there is a growing (but still narrow) pool of literature on the socio-economic impacts of the crisis. However, analysis around the impact of the crisis – specifically on SOE's – (or the role of SOE's in dampening the adverse effects of the crisis) is particularly scarce. Further, there is far less recent academic

[2] https://www.gov.uk/guidance/where-we-work

[3] However, it is usually difficult to pass SOE reforms during major public health emergencies (e.g. as has been witnessed during the 2014-16 Ebola outbreak). Sierra Leone, for example, had difficulty tackling the much-needed structural reforms (especially those relating to public financial management and state-owned enterprise reform) due to realignment of priorities following the Ebola outbreak (Government of Sierra Leone, 2015).

evidence from developing countries, most of it being from advanced and emerging economies. On the other hand, although the literature on SOE's and their relative productivity gap vis-à-vis the private sector is well developed (particularly around the global push for privatisation in the post-socialist economies in the 1990s), it is still difficult to find an accurate and updated public data on SOEs – particularly for developing countries. Owing to these limitations, this rapid evidence review looks at different types of available relevant literature – including reports and grey literature produced by international financial institutions, development agencies and some academic publications.

2. Importance of SOEs (scope, size, and role of SOEs) in developing countries

2.1 Definition of SOEs:

Even if no generally accepted definition of SOEs exists, there are some shared features: i) the entity (i.e. SOE) has its own, separate legal personality; ii) the entity is at least partially controlled by a government unit (e.g. central government or regional government); and iii) the entity engages predominantly in commercial or economic activities (IMF, 2020a and 2014; OECD, 2015).

2.2 Scope and Size of SOEs:

SOEs account for about 20% of investment, 5% of employment, and up to 40% of domestic output, on average internationally. They provide critical services in key economic sectors – such as utilities, finance, and natural resources (IFC, 2018). SOEs in many emerging markets represent one-third (or more) of the largest firms in these economies (Kowalski et al. 2013).

It is worth noting that SOEs may be owned by national or subnational governments. SOEs owned by subnational governments may include local bus, sewer, and water services. These SOEs often outnumber those owned by the central government. SOEs provide goods and services in almost all sectors of the economy, but they are particularly prevalent in key network sectors – including banking, utilities, and transport. They also manufacture everything from shoes to locomotive engines, manage real estate and provide telephone services. In Africa and Asia, the SOEs dominate the generation of power. In 2017, SOEs accounted for more than half of all infrastructure projects commitments in emerging market economies and low-income developing countries (IMF, 2020a).

Moreover, the share of SOEs in the local banking system is high in some low-income (e.g. Ethiopia) or lower middle-income (e.g. Vietnam, Bangladesh, Angola) developing countries (i.e. including several DFID partner countries), see Figure 1. Likewise, financial SOEs (i.e. those in the banking sector) account for 40% or more of banking system assets in major emerging economies (e.g. India, Brazil, China).

Many of the biggest SOEs are particularly active in energy, banking, industrials, and utilities (see Figure 2). For instance, national oil companies are among the largest oil companies in the world and command more than half of the international oil and gas production. Many SOEs are no longer completely owned by the government. Among the biggest SOEs in the world, nearly 60 percent have a mix of public and private sector ownership (IMF, 2020a).

See: Figure 1: SOE's Share of Banking System Assets, 2016 (%), IMF (2020a, p.48), https://www.imf.org/~/media/Files/Publications/fiscal-monitor/2020/April/English/ch3.ashx

Note: these figures are for financial SOE's (Public Banks')

See: Figure 2: SOEs' Share of Assets, by Sector (% assets or revenues of largest firms, by sector), IMF (2020a, p. 49), https://www.imf.org/~/media/Files/Publications/fiscal-monitor/2020/April/English/ch3.ashx

Note: The figure shows the share of SOE assets and revenues by sector among the world's 2,000 largest firms.

Historically, the poor performance of SOEs led to efforts to implement profit motives in SOEs through 'corporatisation' – especially starting in the 1980s (i.e. integrating SOEs under the same commercial laws as private firms) and partial or full privatisation in many developing countries. The transition of ex-socialist developing economies to market economies has strengthened these trends. On the other hand, rapid growth in some developing and emerging economies (especially China and its several SOEs) has generated a resurgence of interest in whether SOEs can be used as engines for growth and development. Despite this, however, many developing and emerging countries, have recently announced new privatisation proposals (e.g. Brazil, Egypt, India, Morocco, Ethiopia, etc.) (IMF, 2020a; Oxford Analytica, 2018).

Thus, notwithstanding the unceasing process of privatisation (e.g. the IMF and World Bank led Structural adjustment programmes (SAPs)), many developing country governments continue to own and operate national commercial enterprises in key industries (IFC, 2018; Bakre and Lauwo, 2016).[4] State-owned industries in many low- and middle-income countries (e.g. including DFID partner countries) have survived and grown in size.

The financial performance of many SOEs and their contribution to the state budget have improved because of ongoing budgetary reforms, restructuring measures, improved

[4] SOEs have been growing (in size and importance) throughout much of the twentieth century. Their growth closely follows the nationalization of key industries in both developing and developed countries (Allen and Vani 2013; Musacchio and Lazzarini 2014). In developing countries in Africa and Asia, the processes of nationalisation of key industries into SOEs mostly starts from the end of colonialism – i.e. 1950s and 1960s. By the early 1980s, SOEs accounted for 15% of national output, on average, in developing countries – compared to 8% of national output in advanced economies (IMF, 2020a; Sheshinski and Lopez-Calva 2003).

governance practices, and exposure to greater competition and capital market discipline (World Bank, 2014).

- Several countries have created profitable and well-run SOEs within strategic industries in the Middle East and North Africa region (World Bank, 2014; OECD 2012).

- In Ethiopia, the government did not privatise utility and other strategic industries, unlike many other sub-Saharan African economies, but instead opted to broaden and restructure public enterprises in strategic areas (e.g., banking, utilities, air travel, chemicals, and sugar). Government has also implemented major reforms to improve corporate governance of SOEs, and this initiative has proven successful in some cases (Oqubay, 2018). This has led to some fast growing and very successful SOE, e.g. Ethiopian Airlines (for more, see section 5.2.3).

- In India, the 24 largest non-financial SOEs produced an equity return of 17 % in 2010, and profits nearly doubled in the following five years (World Bank, 2014).

- In Indonesia, SOE profits rose at a compound annual rate of 18.9 % from 2004 to 2009 (following advancements in SOE reorganisation and governance), while SOE contributions to the state budget via dividends and tax payments represented 12 % of budget revenue (World Bank, 2014).

Many SOEs (particularly those in major emerging market economies and high-income countries) now rank among the world's largest companies. They also act as key global investors and capital market players. This is making it ever more crucial for SOEs to enhance their performance, efficiency, and reputation. Operational inadequacies could upset not only SOE's service provision, but they could also create negative impacts for jobs, businesses, and potentially entire economies (IFC, 2018).

SOE performance is nonetheless not uniformly positive. Despite improvements in performance, a disproportionate share of SOE profits often comes from a few large companies that earn high return rates through limits on competition and access to cheaper land, capital, and other inputs. Besides that, even those SOEs which perform well usually lag behind the financial, economic, and operational performance of private and other non-state firms. Many state-owned banks suffer from multiple vulnerabilities when compared to the private sector. This includes, weak balance sheets and low capitalisation, low profitability, and high non-performing loans (World Bank, 2014).

- A World Bank survey of 90 financial SOEs (i.e. development banks) in 61 countries (de Luna Martinez and Vicente 2012) shows that the financial performance of SOEs is mixed. In the survey, 15 % of SOEs reported non-performing loans exceeding 30 % of their total lending portfolio, while nearly 60 % of the SOEs indicated that their self-sustainability would have been in question without government budget transfers (de Luna-Martinez).

- Research on Middle Eastern countries showed that state-owned banks had much lower profitability than private banks because of their considerable holdings of government securities, higher overhead cost ratios for assets (due to much bigger employment-to-asset ratios), and higher loan-loss provisions ratios for outstanding loans – reflecting much larger non-performing loan shares by SOEs (World Bank, 2014; Rocha, 2011).

- In low-income countries, SOEs tend to perform especially badly – even though there are exceptions (World Bank, 2014).

Usually, non-financial SOEs underperform relative to private firms. This indicates a possible resource misallocation and likely constraining of growth. Studies find that non-financial SOEs have lower profitability and productivity as well as higher leverage (debt) than private firms (IMF, 2020b; Hsieh and Song, 2015; Lam and Schipke, 2017). The difference in returns on assets between SOEs and private firms in China (a country with one of the most diverse array of SOEs) was, for instance, large at 7.5 percentage points during 2010–17, in spite of narrowing recently due to a decline in returns among private firms rather than a significant enhancement in SOEs. Even though profitability increased for partially privatised SOEs (which introduced private shareholders), both partially privatised SOEs and fully state-owned SOEs still have the tendency to underachieve – relative to private firms in terms of profitability (Harrison et al. 2019) (IMF, 2020b).

2.3 Role of SOEs:

SOEs offer a wide range of basic services – such as water, electricity, and transportation to people and firms, as well as loans to businesses (e.g. public banks). SOEs are very diverse, ranging in size, sector of operation, complexity, sophistication, and the scope of government ownership and control. Some SOEs are basically an arm of the government, while others SOEs have a mix of public and private ownership and a larger commercial focus (IMF, 2020a).[5]

Different countries may also depend on SOEs to stabilise their economy during crisis times and recessions (e.g. the late 2000s global financial crisis). For instance, SOEs are often used to smooth the impact on employment and investment. Furthermore, SOEs contribute to national development goals and deliver public goods (infrastructure) and social services (e.g., local healthcare and pensions) (IMF, 2020b).

At the same time, many governments struggle to manage SOEs effectively. Pervasive concerns exist that many SOEs are inefficient, entail considerable risks to government budgets, and are a conduit for corruption (See section 4 of this report; IMF, 2019; Musacchio and Pineda Ayerbe, 2019; OECD, 2018). Getting the most out of SOEs is crucial since several

[5] In recent years, several factors have led to a reassessment of the State's role in the economy. The late 2000s global financial crisis has exacerbated the debate over elements of the 'Washington Consensus' that dominated developing and emerging market policymaking over the past two decades, including its insistence on elimination of SOE subsidies or outright privatisation. In macroeconomic management, the aftermath of the global financial crisis also placed growing focus on fiscal policy – also including public investment policy and fiscal risk identification (which often involves major SOEs) (Richmond et al., 2019)

governments depend on them to cater to their citizens and to promote economic and social development (IMF, 2020a).

SOEs in many developing countries gain from preferential access to finance, land use at below-market cost, and sector-specific incentives. These preferences could have serious implications for domestic and cross-border competition (Bai et al. 2014; IMF, 2020b). SOEs also benefit from implicit guarantees – where SOEs, for example, face lower borrowing costs compared to private enterprises. These gaps in borrowing costs are usually not justified by differences in other firm characteristics (Maliszewski et al. 2016). SOEs also tend to obtain greater credit ratings and their borrowings are less sensitive to financing environments, than comparable private firms after accounting for firms' leverage, profitability, and size (IMF, 2020b).

Interestingly, international evidence reveals that SOEs may not exit their markets in spite of facing persistent losses (e.g. accounting for about 10% of total corporate debt in 2017 for China). This is usually due to governments' implicit guarantees, favourable regulatory treatment, connections with government officials, and perhaps cross-subsidisation by profit-making SOEs under a complex institutional arrangement (IMF, 2020b).

3. SOEs and the COVID-19 Crisis

Due to COVID-19, support to SOEs (which usually provide essential public services, such as water, electricity, telecommunications, and transport in many developing countries) can be vital – mainly in the short run. In crisis times, governments have frequently involved their SOEs (sometimes together with large private firms) by leveraging their capacities as delivery platforms. Particularly when supply chains are interrupted or export bans for key goods are in place, governments occasionally engage SOEs to offer medical products or services. Lately, for instance, Indonesia has asked its state-owned aircraft manufacturer to manufacture ventilator prototypes. China offered corporate income tax and value-added tax incentives to enterprises engaged in producing medical supplies while at the same time turning its SOEs to masks production (World Bank, 2020a).

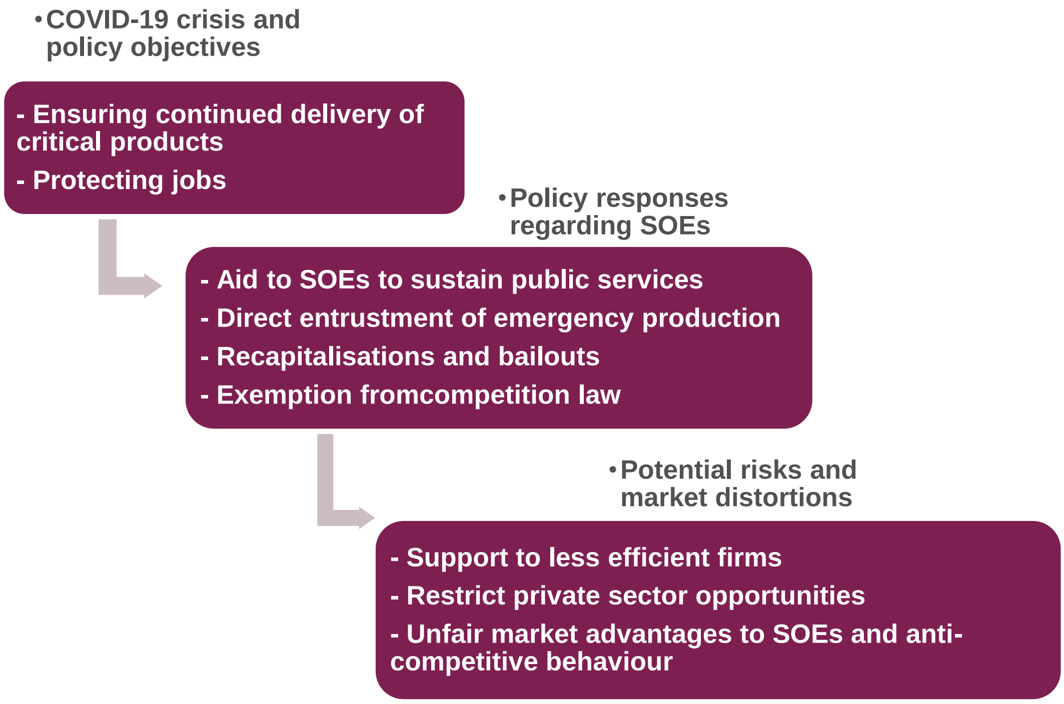
Even though government ownership of SOEs is economically sub-optimal, the inability to support them during crisis times could exacerbate an economic downturn and hurt jobs, public services, and livelihoods. In connection with COVID-19, some governments have declared support packages for utilities SOEs (e.g. electricity and water), in exchange for subsidised prices and deferred payments for households. Furthermore, many state-owned banks around the world were asked to provide credit to alleviate the financial strain on MSMEs (World Bank, 2020a).

In some cases, governments resort to bailouts of major SOEs to maintain jobs or other strategic national interest. These vary from national airlines, utilities, national oil companies to broadcasting and banks. In the air transport sector, where many state-owned carriers operate, insolvencies would not only interfere with the service delivery, but also mean huge job losses. As a consequence, many governments used support measures to keep the companies afloat. Outside financial support, some SOEs also benefitted from exemptions from the competition law, particularly in the air transport sector (World Bank, 2020a; 2020b).

While major crisis times (such as COVID-19) may require exceptional measures, governments should consider the impact of their SOE support measures (especially those for large SOEs) on market dynamics and public finances (see also Section 4). At the moment, safeguarding public interest and maintaining the economic stability are the main concern (see Figure 3). Nonetheless, in the medium- to long-term period, firm competitiveness and consumer welfare necessitate maintaining competitive and contestable markets. This entails caution concerning the risk that SOEs may pose by crowding out viable private firms, keeping zombie SOEs alive, and anticompetitive behaviour (World Bank, 2020a).

As financial credit becomes scarce (e.g. because of SOEs' crowding out the private sector), channelling dwindling state resources to SOEs can increase the risk of a subsequent financial crisis and delay the process of recovery from a recession. It is also important to clarify that state aid should not be made accessible to firms that were failing or had structural problems before the crisis. That is why it is crucial to draw differences between SOEs whose difficulties stem solely from general market conditions caused by the crisis (e.g. COVID-19) and SOEs that are in distress because of underlying reasons linked to bad business practices and business models, especially in competitive sectors (World Bank, 2020a; Pop and Amador, 2020).

Figure 3: Selected SOE-related Policy Responses and Potential Risks of Distortions



Source: Author's Own, source from World Bank (2020a), https://dataviz.worldbank.org/views/AID-COVID19/Overview?:embed=y&:isGuestRedirectFromVizportal=y&:display_count=n&:showAppBanner=false&:origin=viz_share_link&:showVizHome=n

4. Public finances and SOEs in developing countries

SOEs have numerous linkages to public finances that could pose fiscal risks, particularly in times of major crisis such as COVID-19. SOEs' financial performance is related to national/governmental (or sub-national) fiscal imbalances. Countries (or provinces) with less profitable SOEs tend to have greater revenue-spending imbalances. **SOEs are significant contributors to fiscal revenues through taxes (accounting for one-third of total tax revenue of the general government on average) and dividends in developing countries.** When year-on-year growth of tax revenues drops during economic slowdown, growth in nontax revenues (partially in the form of fees and dividends from SOEs) tends to increase, thus alleviating a worsening of local public finances. If SOE profits decline, SOE transfers of dividends and fees may not be forthcoming as before (IMF, 2020b).

Moreover, the eventual exit of non-viable (e.g. continuously loss-making) SOEs or the debt restructuring of underperforming SOEs will almost certainly entail fiscal costs to the

state (i.e. national or sub-national government that owns the SOEs), in order to cover losses and to lessen the **adverse impact on local employment and output** (IMF, 2020b).

Confronting the low-efficiency problems in SOEs and managing the fiscal risks emanating from the close linkages between SOEs and government is vital. It is important to reform failing SOEs, attain competitive neutrality, and contain the risks from soaring corporate leverage of key SOEs (e.g. through debt-equity swaps and restructuring of extremely indebted SOEs) (IMF, 2020b; IFC, 2018; see also Section 6 of this report).

Some developing and emerging economies are embarking on pilot mixed-ownership reforms and consolidation of SOEs through mergers and acquisitions (e.g. China). Nonetheless, these reforms have not substantially improved SOE efficiency and corporate governance (Rosen et al., 2019; IMF, 2020b). Realising tangible progress toward competitive neutrality and sound corporate governance can boost SOE efficiency and improve resource allocation (IMF, 2020b).

In times of major economic crisis (that tend to adversely affect the majority of SOEs), the contribution of SOEs to national budget becomes negative. This signifies the realisation of fiscal risks. Government's fiscal balance may deteriorate as the government continues offer considerable support to loss-making SOEs, e.g. through subsidies to help cover their recurrent expenses and large capital transfers to major SOEs. In Brazil, for instance, almost a third of SOEs were making losses (even prior to COVID-19) and in 2018, state governments transferred about US$2.9 billion in capital transfers and an extra US$1.2 billion in subsidies to their SOEs. The financial shock from COVID-19 has just made things worse and, hence, the fiscal burden linked to SOEs is expected to grow (IMF, 2020b).

Another possible source of macroeconomic instability and fiscal risk from SOEs is the complex network of links between non-financial SOEs, public banks (i.e. financial SOEs), and subnational governments. Some of the biggest SOEs in developing countries have amassed significant debt in the years leading up to COVID-19's outbreak in 2020, partly by borrowing from public banks. Any financial distress in these SOEs (e.g. national airlines and public utility companies) could put stress on the public banks, which in turn might affect their ability to provide credit to the rest of the economy (e.g. the private sector) and necessitate financial support from the government (IMF, 2020b).

5. Fiscal measures to deal with COVID-19 and the effect on (role of) SOEs

To lessen the economic impact suffered by SOEs and other companies, subsidies and state aids are being implemented by governments across developing and developed countries in the context of the COVID-19 pandemic.[6]

The fiscal measures utilised constitute of multiple instruments, including State guarantees for loans, subsidised loans, direct grants, equity, tax exemptions, tax deferrals and other tax advantages, suspension, reduction or reimbursement of input costs (e.g. electricity, rent, water) (World Bank, 2020b).

Some examples of the fiscal measures taken by **DFID partner countries** (to address the adverse effects of COVID-19 on SOEs and other businesses) are given in the two sub-sections below (i.e. 5.1 and 5.2), the first involves emerging/lower-middle income DFID partners and the latter low-income countries. The examples provide a brief description of the interventions, core policy objectives, the sectors targeted, the main beneficiaries of the measures, and (for some selected countries) the underlying vulnerabilities or performances of SOE's that will determine the likely shocks from COVID-19.

5.1 Fiscal measures in lower-middle income (emerging) countries

Source: World Bank (2020b)

5.1.1 India:

Description: different measures have been taken by the Government of India:

- Scheme-I) The Government of India will pay 'Employee Provident Fund' contributions for employees and employers for three months. This is targeted to firms with up to 100 workers and where 90% of workers earn less than Rs15,000 per month. This is expected to cover 1.8M employees and 400,000 firms;
- Scheme-II) $22.6 billion stimulus which includes (among other measures), deferral of taxes for some industries like air transport, hospitality and small companies, which have been hurt the most by the lockdown;
- Scheme-III) Small industrial Development Bank of India (SIDBI) is supporting Micro, Small and Medium-sized Enterprises (MSMEs) manufacturing products or providing services related to fighting the Coronavirus with the launch of two schemes- the SIDBI Assistance to Facilitate Emergency response against coronavirus (SAFE scheme) and

[6] A subsidy is a financial contribution by a government or a public body giving a benefit to its recipients that can affect competition and trade. The measures address a variety of sectors, notably those particularly hit (e.g. **tourism, hospitality, transport, culture**) and different types of beneficiaries (**SOEs and private businesses or MSMEs**) (World Bank, 2020b).

SAFE Plus. Under the schemes, loans are being extended at a low rate of interest of 5%. SIDBI has also opened an additional financial window for Healthcare Sector under its flagship scheme called Soft Loan Fund for Micro Small and Medium Enterprises (SMILE). Medium and long dated loans under SMILE at attractive rates shall be provided for financing the healthcare sector including hospitals, nursing home, clinics, etc. for their requirements related to fighting Corona Virus;

- Scheme-IV) The Indian government has announced details of a support package worth more than $40 billion to help small businesses affected by the COVID-19 outbreak. Much of the money will go toward providing collateral-free loans until October 31.

Objective: Scheme-I) aims at safeguarding employment from the adverse financial impact caused by the coronavirus outbreak; Scheme-II and Scheme-IV) aim at ensuring that companies have sufficient liquidity to maintain their activities; Scheme-III) aims at accelerating the production of crucial products directly relevant to coronavirus.

Sector Targeted: Scheme-III) targets the **health sector** while Scheme-I), -II) and -IV) broadly support firms in different sectors.

Type of Measure: Scheme-I) Wage subsidy; Scheme-II) Tax advantages; Scheme-III) Subsidised loans; Scheme-IV) State guarantees for loans.

Main Beneficiaries: Scheme-II) supports all enterprises (**SOEs & others**) while Scheme-I), -III) and -IV) target MSMEs.

General information on vulnerabilities of SOEs:

- SOEs account for a significant share of public-sector financial activity in India and this can pose considerable fiscal risks to the government. In spite of large-scale privatisations since the 1980s, the value of public corporations still accounts for 22 percent of the market capitalisation of all listed companies India (IMF, 2018. p26).[7]
- The overall financial resource balance of the Indian economy moderated as net borrowings of non-financial SOEs increased in recent years (e.g. during 2018-19). The financial net worth of non-financial SOEs has also turned negative and India remained a net borrower from the rest of the world (See also Figure 4 below) (RBI, 2020).

[7] The picture being the same in other emerging economies – where the value of public corporations account for 18 percent (Brazil) and 44 percent (China) of the market capitalization of all listed companies (IMF, 2018. p26).

See: Figure 4: Resource Gap of Indian non-financial SOEs, RBI (2020), https://m.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=19657

Note: "Rest of the sectors" include Central Bank, Other Financial Corporations, Households, and others not elsewhere classified.

5.1.2 Kenya:

Description: The Treasury has announced a $5 million package to support the tourism industry. The assistance may benefit hotel, travel agencies and airlines. The funds are oriented to boost the confidence of Kenya to ensure that Kenya remains a preferred travel destination in the post-COVID-19 period.

Objective: The scheme aims at supporting particularly affected entities and sectors

Sector Targeted: Tourism

Type of Measure: Details Unknown

Main Beneficiaries: All enterprises (**SOEs & others**)

General information on vulnerabilities of SOEs:

- The public sector in Kenya is very large and it includes several public corporations or SOEs (see Figure 5). Compared to its regional peers, Kenya has much larger number of SOEs (particularly non-financial). SOEs - particularly non-financial public corporations - represent well over a hundred commercial entities, most of which are controlled by the central government. The ten largest entities hold 92 percent of the total assets of this sector (i.e. The Kenya Railways Corporation, Kenya Electricity Generating Company, Kenya Power, the Kenya Ports Authority, the Kenya Pipeline Company, the Rural Electrification Authority, the Kenya Airports Authority, the Geothermal Development Company, the East Africa Portland Cement Company, the National Cereals and Produce Board, and the National Housing Corporation) (IMF, 2020c).
- Poor financial performance by Kenyan SOEs has forced reviews of the budget in terms of subsidies, capital injections and on-lending. SOEs have benefited from government support in the form of on lent and guaranteed loans in Kenya (equal to 4.6 percent of GDP). Several of these loans have not been repaid or are in arrears (Harris et al., 2020. P.10; IMF, 2020c).
- In Kenya, public sector liabilities estimated by the 2014 IMF Fiscal Transparency Evaluation (FTE) amounted at 93 percent of GDP, i.e. more than double the reported level of public debt. This encompassed liability of non-commercial parastatals (4.2 percent of GDP) and of commercial SOEs (21.6 percent of GDP). Information and monitoring of government guarantee to SOEs, whether explicit or implicit, are limited. Reported stocks of explicit guarantees to SOEs are often do not exist or are incomplete even if they pose substantial fiscal risks (e.g., international loans guaranteed to seven SOEs amounted to 0.9 percent of GDP in Kenya) (Harris et al., 2020. P.10; IMF, 2020c).
- The fiscal risk rating from SOEs has been rated "high" (i.e. by recent IMF FTE) and financial risk is concentrated in ten public corporations, which account 95 percent of all

loss-making entities and 84 percent of entities with negative equity (Harris et al., 2020. P.10; IMF, 2020c).

- SOEs' expenditure accounts for roughly 8 percent of GDP, of which about 90 percent is spent by non-financial SOEs (see Table 1).

See: Figure 5: Number and Types of Public Corporations in the East African Community, IMF (2017, p.51), https://www.imf.org/~/media/Files/Publications/CR/2017/cr17130.ashx

See: Table 1: Kenyan SOEs Financial Overview, 2017-18 (Percent of GDP), IMF (2020c, p.41), https://www.imf.org/~/media/Files/Publications/CR/2020/English/1KENEA2020001.ashx

5.1.3 Nigeria:

Description: different measures have been taken by the Government of Nigeria:

- Scheme-I) The Central Bank of Nigeria (CBN) has committed to providing support for businesses affected by the Covid-19 pandemic, including airlines. The measures include an additional period of one year for any loan "currently under moratorium" and interest rate reduction from 9% to 5% per annum for one-year effective 1st March 2020. Large airlines based in Nigeria include Air Peace and Arik Air. The latter (i.e. Arik Air) is the largest airline in the country and one of the biggest in the region. It was taken over by the Nigerian government in 2017 to avert the collapse of the airline.[8]
- Scheme-II) The Central Bank of Nigeria has created a N50 billion target credit facility for affected households and small and medium enterprises. Eligible sectors include i) agricultural value chain activities; ii) hospitality; iii) health; iv) airline service providers; v) manufacturing; vi) trading; vii) any other income generating activities as prescribed by CBN.
- Scheme-III) The Central Bank of Nigeria has pledged N1 trillion in loans to boost local manufacturing and production across critical sectors.
- Scheme-IV) The government of Nigeria has approved additional N100 billion intervention fund in **healthcare loans to pharmaceutical companies** and healthcare practitioners intending to expand/build capacity. The provision of this credit assistance is intended to meet the potential increase in demand for health services and products.
- Scheme-V) "Essential medical supplies" are exempt from value added tax (VAT) and from import customs duty for a six-month period, effective 1 May 2020.
- Scheme-VI) The government of Nigeria has approved a three-month repayment moratorium for all 'TraderMoni', 'MarketMoni' and 'FarmerMoni' loans.

[8] https://www.ft.com/content/917cfa12-ef62-11e6-ba01-119a44939bb6

- Similar moratorium has been given to all Federal Government funded loans issued by the Bank of Industry, Bank of Agriculture, and the Nigeria Export-Import Bank.

Objective: Scheme-I), -II), and -III) aim at supporting particularly affected entities and sectors; Scheme-IV) and -V) aim at accelerating the production of products directly relevant to coronavirus; Scheme-VI) aims at ensuring that companies have sufficient liquidity to maintain their activities.

Sector Targeted: Scheme-I) Air transport; Scheme-IV and -V) **Health**; Scheme-II, III, and VI) Broad.

Type of Measure: Scheme-I) Multiple measures; Scheme-II), -III), and -IV) Subsidised loans; Scheme-V) Tax advantages; Scheme-VI) Loan payment advantages.

Main Beneficiaries: Scheme-IV), -V), and -VI) All enterprises (**SOEs & others**); Scheme-I) Large enterprises (**SOEs & others**); Scheme-II) and -III) MSMEs.

5.2 Fiscal measures in low-income countries

Source: World Bank (2020b)

5.2.1 Uganda:

Description: The Bank of Uganda (BoU) has provided liquidity assistance (for a period of up to one year) to financial institutions that might be adversely affected by COVID-19 and might require extra assistance.

Objective: The scheme aims to ensure that companies (public or private financial institutions and banks) have sufficient liquidity to maintain their activities in the Ugandan financial market.

Sector Targeted: Financial sector

Type of Measure: Details Unknown

Main Beneficiaries: All enterprises (**SOEs & others**)

General information on vulnerabilities of SOEs:

- Uganda's financial statements (which covers both central and local governments) suggests that public corporations account for about 32 percent of government's assets and liabilities (Harris et al., 2020. P.10; IMF, 2017).
- The wider public sector comprises the central bank (Bank of Uganda) and 31 other public corporations. Many of the public corporations are non-financial, including the National Water and Sewage Corporation (NWSC) and Uganda Electricity Transmission Company Limited (UGETCL). The largest financial corporations, other than the Bank of Uganda, are the NSSF, Uganda Development Bank, Pride Microfinance Ltd. and Post Bank Uganda (IMF, 2017).

- A large privatisation program in the 1990s has left Uganda with a relatively small number of SOEs compared to its East African peers such as Kenya (IMF, 2017). Also see Figure 5 above.
- The fiscal risk rating from SOEs has been rated “medium” (i.e. by recent IMF FTE) and public corporations are mostly profitable (see Figure 6). However, the Bank of Uganda has needed recapitalisation recently.

See: Figure 6: performance of key Ugandan SOEs, IMF (2017, p. 52), https://www.imf.org/~/media/Files/Publications/CR/2017/cr17130.ashx

Note: Acronyms - BOU: Bank of Uganda; NSSF: National Social Security Fund; UETCL: Uganda Electricity Transmission Company; NWSC: National Water and Sewage Corporation; UEDCL: Uganda Electricity Development Company; UEGCL: Uganda Electricity Generation Company; and NHC: National Housing Company.

5.2.2 Congo, D.R.:

Description: several measures have been taken by the government of D.R. Congo:

- Scheme-I) decision to support the revival of companies’ activities by means of financing from the ‘Fund for the Promotion of Industry’ (FPI) at zero rate. Eligible beneficiaries include local companies in the agriculture, pharmaceutical, retail and logistics.
- Scheme-III) Tax measures during COVID-19 include:
    - Exemption from all duties, taxes, levies and fees on import and sale of pharmaceutical inputs and products, as well as medical materials and equipment linked to pandemic for a period of six months;
    - Suspension for a period of three months, of collection of VAT on the import and sales of basic necessities or mass consumption products;
    - Suspension for three months of the payment of some local taxes on agricultural products;
    - Suspension for three months of the payment of the tax on rent payable by the companies.
- Scheme-III) Granting for two months of the supply of water and electricity free of charge to **hospitals as well as MSMEs** which are affected by the closure measure as part of the response against COVID-19.

Objective: The different schemes aim to ensure that companies have sufficient liquidity to maintain their activities.

Sector Targeted: The schemes broadly target multiple sectors.

Type of Measure: Scheme-I) offers Subsidised loans, Scheme-II) offers tax advantages, and Scheme-III) offers Suspension/Rebates on input costs.

Main Beneficiaries: Scheme-I and Scheme-II target MSMEs while Scheme-III targets all enterprises (**SOEs & others**)

Vulnerabilities of SOEs:

- In D.R. Congo, natural resources generate 95 percent of export earnings. Copper has been responsible for over half of export earnings to date, followed by cobalt which now accounts for about a third. Natural resources represent for about a third of government revenue (IMF, 2019b; Marysse and Megersa, 2018). Prior to the mid-1990s, the extraction of copper and cobalt was monopolised by the state-owned 'Générale des Carrières et des Mines' (Gécamines). During the 1996-97 civil war, a rebel movement seized the copper belt region and started selling off the assets of Gécamines and awarding exploitation rights to private investors (IMF, 2019b).
- Concerns have been raised over the management of the state-owned Gécamines. Some of the concerns include allegations of undervalued asset sales, outright failure to account for revenues, failure to publish contracts with joint-venture partners, political interference, and conflict of interest. Gécamines has countered some of these allegations, which, nonetheless, underscore the need for improved transparency and accountability in the management of state enterprises (IMF, 2019b; Marysse and Megersa, 2018).
- The IMF notes that corruption was a problem before the crisis, but the COVID-19 pandemic has heightened the importance of stronger governance for three reasons (IMF, 2020d). Improved transparency in the management and competitive bidding in the sale of assets and exploitation rights of SOEs would be key to lessen corruption and ensure that the state gets a fair share of the benefits (IMF, 2019b; Marysse and Megersa, 2018).

5.2.3 Ethiopia:

Description: National Bank of Ethiopia availed Birr 15 Billion liquidity for private banks to enable them to provide debt relief and additional loans to their customers in need.

Objective: The scheme aims to ensure that companies have sufficient liquidity to maintain their activities.

Sector targeted: Financial sector

Type of Measure: State guarantees for loans

Main Beneficiaries: All enterprises (**SOEs & others**)

General information on vulnerabilities of SOEs:

- SOEs in Ethiopia have played a crucial role in driving the high investment and GDP growth rates over the past decade. The role of SOEs is significant and these companies are active in key sectors such as industry, construction, finance, telecommunication, trade logistics, transportation, and energy. Especially, a large share of infrastructure investment such as building transport links, telecommunications facilities and energy generation infrastructure, was carried out by the SOEs (IMF, 2020e; IMF, 2016).

- SOEs have been partly responsible for the build-up of macro-imbalances and have become a source of fiscal, financial, and external risks to Ethiopia. Subsidised credit in combination with the mandates to undertake less viable investments or provide services below cost has resulted in substantial growth in SOE investment and debt in recent years. In particular,
  - SOEs are accountable for the bulk of the rise in public debt (roughly 15 of the 17-percentage point increase in the debt-to-GDP ratio between 2009/10—2018/19), two-thirds of which has been domestic debt.
  - From the total debt stock of SOEs at the end of 2018/19, which amounted to 26 percent of GDP, 14 percentage points is held by the CBE in the form of corporate bonds and loans.
- SOE borrowing from commercial banks represented 60 percent of total credit extended, restricting (i.e. 'crowding-out') the private sector from accessing the financial resources it needs to expand (e.g. see Figure & below).
- The bulk of SOE borrowing (both domestic and external) carries a government guarantee, exposing the government to contingent liabilities if the SOEs are unable to service their debts. The COVID-19 crisis is likely to make the situation worse for the already highly indebted SOEs – and thus the government.

See: Figure 7: Public enterprises' (SOEs') share of Credit to the Economy, IMF (2020e, p. 7), https://www.imf.org/en/Publications/CR/Issues/2020/01/28/The-Federal-Democratic-Republic-of-Ethiopia-2019-Article-IV-Consultation-and-Requests-for-48987

See: Figure 8: Net profits of SOEs/airlines (fully or partially state owned), Harris et al. (2020, p.12), https://www.imf.org/~/media/Files/Publications/covid19-special-notes/enspecial-series-on-covid19government-support-to-stateowned-enterprises-options-for-subsaharan-afric.ashx

- Some SOEs were rapidly growing and highly profitable before the crisis and these are expected to remain so once the crisis subsides. Some of these SOEs (with pre COVID-19 success stories) may require temporary support during the crisis. However, before considering fiscal support, the SOEs should be asked to exhaust other means of managing the turbulence. For example, Ethiopian Airlines is taking advantage of its financial strength to avoid government support (Harris et al., 2020).
- The curious case of the Ethiopian Airlines: Several countries on the continent have state-owned airlines, but only few have been successful. As flag carriers, they are often seen as a sign of prestige as well as a tool for marketing the country. Many of them struggle financially, often requiring governments to divert capital from other important developmental priorities to recapitalise the airline (e.g. Kenyan airlines and South African Airways). Ethiopian Airlines has been a distinctively success story. Some of the factors that contribute to its success (among others) include a good business model and continual improvement on its internal processes, and the quality of its human capital. However, importantly, it has also been able to keep leverage (i.e. use of debt for

investment purposes) lower than many other airlines, providing it with the financial flexibility to absorb shocks (Harris et al., 2020). This has also benefited the government in lowering fiscal risks – especially considering the size of the company, relative to the economy (Harris et al., 2020).

5.2.4 Malawi:

Description: different measures have been taken by the government of Malawi:

- Scheme-I) decision to increase loans under the 'Malawi Enterprise Development Fund' to help micro, small and medium scale businesses that have been seriously affected by the pandemic to 15 billion Malawi kwacha ($20.69 million) from 12 billion kwacha;
- Scheme-II) waiver on tourism levy in order to support tourism sector, and
- Scheme-III) decision to apply tax waivers on importation of essential goods for coronavirus management. These include personal protective equipment, hand sanitisers, soaps, water treatment chemicals and many more.

Objective: Scheme-I) ensuring that Malawian companies have sufficient liquidity to maintain their activities; Scheme-II) supporting particularly affected entities and sectors; and Scheme-III) ensuring supply chains and securing supply.

Sector Targeted: Scheme-I) Broad, Scheme-II) Tourism and Scheme-III) Health.

Type of Measure: Scheme-I) offers Subsidised loans, while Scheme-II) and Scheme-III) offer tax advantages.

Main Beneficiaries: Scheme-I) targets SMEs, while Scheme-II) and Scheme-III) target all enterprises (SOEs & others)

5.2.5 Niger:

Description: Niger has also passed some measures to deal with the shock from COVID-19 to SOEs and other businesses.

- Scheme-I) The government of Niger has adopted some measures providing temporary tax relief for hard-hit sectors. This includes i) exoneration from VAT payments to the land transport sector during the suspension of activities; ii) reduction of VAT tax to 10% to the hotel sector; iii) reduction on tax of depreciation of income properties from 5% to 2%; iv) suspension of tax recovery proceedings for 3 months (until 30 June) to travel agencies;
- Scheme-II) The government of Niger has also **exempted certain products from custom duties including masks, sanitiser,** etc. In addition, the government has established certain tools for facilitating credit to importers.

Objective: Scheme-I) The scheme aims at supporting businesses (SOEs and others) and sectors particularly affected by COVID-19 and Scheme-II) The scheme aims at **accelerating the production of products directly relevant to coronavirus**.

Sector Targeted: Scheme-I) broadly targeted multiple sectors while Scheme-II) was targeted at the **health sector**.

Type of Measure: both schemes offer tax advantages.

Main Beneficiaries: All enterprises (**SOEs & others**)

5.2.6 Rwanda:

Description: Larger, medium, and small taxpayers' filing deadline have been extended (e.g. fifteen days for large taxpayers and one month for medium and small taxpayers). Taxpayers were expected to file the returns and pay Corporate Income Tax due on the updated deadlines.

Objective: The scheme aims at ensuring that companies (SOEs or others) have sufficient liquidity to maintain their activities.

Sector Targeted: Broad

Type of Measure: Tax advantages

Main Beneficiaries: All enterprises (**SOEs & others**)

6. Responses by IFIs/Donors to address SOEs' Challenges

Much of the support by donors' and IFIs' to SOE's in developing countries are ongoing reform programmes and (as of now) there are no clear evidences on programme interventions specifically committed to COVID-19 related challenges of SOEs in developing countries. However, this is likely to change soon as donors and IFIs (e.g. IMF and World Bank) are already starting to highlight the issue by preparing various policy notes (e.g. IMF, 2020a and 2020b; World Bank, 2020a and 2020b; Harris et al., 2020).

Major international financial organisations and multilateral institutions are giving their focus to SOE's and how they could be potentially be impact by the COVID-19 crisis (or what role they could play to minimise the adverse effects of the crisis). **Thus far, their effort is concentrated on making preliminary assessments and publishing reports[9] as well as hosting dialogs[10] among experts and policy makers**. This is evident from the COVID-19 related response

[9] https://www.oecd.org/coronavirus/policy-responses/the-covid-19-crisis-and-state-ownership-in-the-economy-issues-and-policy-considerations-ce417c46/

[10] http://wrld.bg/VzLK30qOaS3

resources and publications hosted by the World Bank[11], IMF[12], African Development Bank[13], and Asian Development Bank[14].

Looking ahead, once the COVID-19 impact assessments (per country and individual SOE) are complete and the evidence base is reasonably established, major donors and development institutions are likely to intensify SOE reform processes. This will be useful to minimise the medium- and longer-term adverse impacts of the COVID-19 crisis (both on the SOEs and public finances). Such reforms will also better shield countries from future possible crises (be it a purely financial/economic crises or the next pandemic).

Although COVID-19 induced reform programmes (run by donors) are not yet publicly known/available, their possible model will be and enhanced version of ongoing reform programmes. Recent SOE reform works supported by notable IFIs and donors focus on **corporate governance and financial management**. This involves assessing the status of SOE corporate governance in various countries, offering policy recommendations and actions plans, and supporting reform implementation via advisory and lending operations (IFC, 2018; Bakre and Lauwo, 2015; Harris et al.,2020).

In line with the reform push by external development partners, governments in developing countries are taking steps to improve the corporate governance of their SOEs. It is noted that, the business case for good corporate governance is as strong for SOEs as it is for private enterprises. Good corporate governance facilitates private and state-owned companies to operate more efficiently, improve their access to capital, mitigates risk, and protects against mismanagement (IFC, 2018).

Existing research from the World Bank around Corporate Governance of State-Owned Enterprises (e.g. World Bank, 2014) discloses **numerous direct positive benefits for SOEs that have committed themselves to governance reforms.** These include: i) **better operational performance, ii) better access to alternative sources of financing** through domestic and international capital markets, while helping develop markets, iii) financing for infrastructure development, **iv) lower fiscal burden of SOEs and bigger net contribution to the budget via more dividend payments,** and **v) reduced corruption and enhanced transparency.**

For instance, corporate governance professionals from the International Finance Corporation's (IFC) are assisting SOE's of developing countries in collaboration or coordination with World Bank. Particularly, they i) 'd**evelop corporate governance frameworks'** intended at strengthening the state's monitoring of SOE governance and performance; ii) 't**rain SOE board**

[11] https://www.worldbank.org/en/topic/governance/brief/governance-institutions-covid-19-response-resources

[12] https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19

[13] https://www.afdb.org/en/news-keywords/covid-19

[14] https://www.adb.org/publications/reforms-opportunities-challenges-state-owned-enterprises

directors', and develop board practices in accordance with international standards; iii) t**rain government officials,** line ministries as well as SOE managers responsible for preparing and implementing governance reforms on subjects such as exercising the rights of the state as shareholder; and iv) 'd**esign and implement SOE director training and certification'**, together with main market intermediaries – comprising of institutes of directors, business schools, and SOE-related academies (IFC, 2018).

IFIs and donors such as the IFC and the World Bank work at the firm, market and regulatory levels. They have been implementing a 'multi-pronged' programme approach aimed at a range of stakeholders involved in enhancing the governance of SOEs (IFC, 2018). For example, in **South Asia**, IFC and the World Bank are creating a director training certification programme for SOE board directors. Presented by the Sri Lanka Institute of Directors, the programme will build the corporate governance and leadership skills of the country's SOE board directors. In the **Middle East and North Africa**, IFC and the World Bank have a joint mandate to enhance the corporate governance practices in the oil and gas industry (e.g. Egypt) with the aim of preparing companies to go public with initial public offerings (IPOs). Efforts include designing a corporate governance code and providing SOE boards with knowledge and tools to run company-wide governance improvements. In **Latin America and the Caribbean**, IFC and World Bank are championing the government's efforts to implement corporate governance practices, in accordance with the requirements the OECD Corporate Governance Committee. This support comprises of advising the Ministry of Finance of Colombia on the formation of a new ownership agency, creating policies for appointing SOE board members, and training SOE board members. The IFC and World Bank team has also assessed the governance practices of some key Colombian SOEs (IFC, 2018).

7. References

Allen R., Vani S. (2013). “Financial Management and Oversight of State-Owned Enterprises.” In: Allen R., Hemming R., Potter B.H. (eds) The International Handbook of Public Financial Management. Palgrave Macmillan, London. https://doi.org/10.1057/9781137315304_33

Bai, C. E., J. Mao, and Q. Zhang (2014). Measuring Market Concentration in China: The Problem with Using Censored Data and Its Rectification. China Economic Review 30 (September): 432–47. https://doi.org/10.1016/j.chieco.2014.05.013

Bakre, O. M., & Lauwo, S. (2016). Privatisation and accountability in a “crony capitalist” Nigerian state. *Critical Perspectives on Accounting*, *39*, 45-58. http://dx.doi.org/10.1016/j.cpa.2016.01.003

de Luna-Martinez, J. and Vicente, C. (2012). Global Survey of Development Banks. Policy Research Working Paper 5969. World Bank, Washington, DC. http://documents1.worldbank.org/curated/en/313731468154461012/pdf/WPS5969.pdf

Gaspar, V., Medas, P. and Ralyea, J. (2020). State-Owned Enterprises in the Time of COVID-19. International Monetary Fund. https://blogs.imf.org/2020/05/07/state-owned-enterprises-in-the-time-of-covid-19/

Government of Sierra Leone (2015). National Ebola Recovery Strategy for Sierra Leone 2015–2017. https://ebolaresponse.un.org/sites/default/files/sierra_leone_recovery_strategy_en.pdf

Harris, J., Imbert, B., Medas, P., Ralyea, J. and Singh, A. (2020) Government Support to State-Owned Enterprises: Options for Sub-Saharan Africa. https://www.imf.org/~/media/Files/Publications/covid19-special-notes/enspecial-series-on-covid19government-support-to-stateowned-enterprises-options-for-subsaharan-afric.ashx

IFC (2018). State-Owned Enterprises. The International Financial Corporation. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/topics/state-owned+enterprises

IMF (2014). Government Finance Statistics Manual 2014. Washington, DC: International Monetary Fund. https://www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf

IMF (2016). The Federal Democratic Republic of Ethiopia Staff Report for the 2016 Article IV Consultation—Debt Sustainability Analysis. International Monetary Fund. https://www.imf.org/en/Publications/CR/Issues/2016/12/31/The-Federal-Democratic-Republic-of-Ethiopia-2016-Article-IV-Consultation-Press-Release-Staff-44321

IMF (2017). Uganda Fiscal Transparency Evaluation Update. The International Monetary Fund. https://www.imf.org/~/media/Files/Publications/CR/2017/cr17130.ashx

IMF (2018). Fiscal Transparency Handbook. Washington, DC: International Monetary Fund. https://www.elibrary.imf.org/doc/IMF069/24788-9781484331859/24788-9781484331859/Other_formats/Source_PDF/24788-9781484348598.pdf?redirect=true

IMF (2019). Curbing Corruption. Fiscal Monitor, The International Monetary Fund. https://www.imf.org/~/media/Files/Publications/fiscal-monitor/2019/April/English/text.ashx?la=en

IMF (2019b). Democratic Republic of The Congo: Selected Issues. The International Monetary Fund. https://www.imf.org/en/Publications/CR/Issues/2019/09/04/Democratic-Republic-of-the-Congo-Selected-Issues-48649

IMF (2020a). State-Owned Enterprises: The Other Government. Fiscal Monitor, The International Monetary Fund. https://www.imf.org/~/media/Files/Publications/fiscal-monitor/2020/April/English/ch3.ashx

IMF (2020b). Annexes accompanying State-Owned Enterprises: The Other Government. Fiscal Monitor, The International Monetary Fund. https://www.elibrary.imf.org/view/IMF089/28929-9781513537511/28929-9781513537511/binaries/Fiscal_Monitor_April_2020_Chapter_3_Online_Annexes_3-1_through_3-7.pdf

IMF (2020c). Kenya Fiscal Transparency Evaluation Update. The International Monetary Fund. https://www.imf.org/~/media/Files/Publications/CR/2020/English/1KENEA2020001.ashx

IMF (2020d). Corruption and COVID-19. The International Monetary Fund. https://blogs.imf.org/2020/07/28/corruption-and-covid-19/

IMF (2020e). The Federal Democratic Republic of Ethiopia : 2019 Article IV Consultation and Requests for Three-Year Arrangement under the Extended Credit Facility and an Arrangement under the Extended Fund Facility-Press Release and Staff Report. The International Monetary Fund. https://www.imf.org/en/Publications/CR/Issues/2020/01/28/The-Federal-Democratic-Republic-of-Ethiopia-2019-Article-IV-Consultation-and-Requests-for-48987

Jorge, A., Chen, T., & Li, G. (2017). The State and China's Productivity Deceleration: Firm-level Evidence. http://www.columbia.edu/~tc2618/ChinaProductivity.pdf

Kowalski, P., M. Buge, M. Sztajerowska, and M. Egeland (2013). State-Owned Enterprises: Trade Effects and Policy Implications. OECD Trade Policy Paper 147, OECD Publishing, Paris. https://www.oecd-ilibrary.org/trade/state-owned-enterprises_5k4869ckqk7l-en

Maliszewski, W., S. Arslanalp, J. Caparusso, J. Garrido, S. Guo, J. S. Kang, W. R. Lam, and others (2016). Resolving China's Corporate Debt Problem. IMF Working Paper 16/203, International Monetary Fund, Washington, DC. https://www.imf.org/external/pubs/ft/wp/2016/wp16203.pdf

Marysse, S., & Megersa, K. (2018). Real Governance in the DRC (2003-2016): between reforms and white elephants (No. 2018.08). Universiteit Antwerpen, Institute of Development Policy (IOB). https://repository.uantwerpen.be/docman/irua/94a380/153880.pdf

Megersa, K. (2020). COVID-19 in Eastern Africa: impact analysis on conflict and security. K4D Helpdesk Report 847. Brighton, UK: Institute of Development Studies. https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/15549/847_Eastern_Africa_C19_impact_analysis_on_conflict_and_security.pdf?sequence=1&isAllowed=y

Musacchio, A., and E. I. Pineda Ayerbe (2019). Fixing State-Owned Enterprises in Latin America: Old Problems, New Solutions. Washington, DC: Inter-American Development Bank. https://publications.iadb.org/publications/english/document/Fixing_State-Owned_Enterprises_New_Policy_Solutions_to_Old_Problems_en.pdf

Musacchio, A., and S. Lazzarini. 2014. Reinventing State Capitalism: Leviathan in Business, Brazil, and Beyond. Cambridge, MA: Harvard University Press. https://www.hup.harvard.edu/catalog.php?isbn=9780674729681

OECD (2012). Towards New Arrangements for State Ownership in the Middle East and North Africa. Paris. Organisation for Economic Co-operation and Development. https://www.oecd.org/daf/ca/corporategovernanceprinciples/towardsnewarrangementsforstateownershipinthemiddleeastandnorthafrica.htm

OECD (2015). OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition. Paris: OECD Publishing. http://www.bicg.eu/wp-content/uploads/2017/07/OECD-2015.pdf

OECD (2018). Ownership and Governance of State-Owned Enterprises: A Compendium of National Practices. Paris: OECD Publishing. http://www.oecd.org/corporate/Ownership-and-Governance-of-State-Owned-Enterprises-A-Compendium-of-National-Practices.pdf

Oqubay A. (2018). Industrial Policy and Late Industrialization in Ethiopia,Working Paper Series N° 303, African Development Bank, Abidjan, Côte d'Ivoire. https://www.tralac.org/images/docs/13204/industrial-policy-and-late-industrialisation-in-ethiopia-afdb-wps-303-june-2018.pdf

Oxford Analytica (2018). Ethiopia may favour privatisation over liberalisation. *Emerald Expert Briefings*, (oxan-db). https://www.emerald.com/insight/content/doi/10.1108/OXAN-DB236299/full/html

Pop, G. and Amador, A. (2020). State aid and COVID-19: Support now, but bear in mind long-term effects. The World Bank. https://blogs.worldbank.org/psd/state-aid-and-covid-19-support-now-bear-mind-long-term-effects

RBI (2020). Financial Stocks and Flows of the Indian Economy: 2016-17 to 2018-19. Reserve Bank of India. https://m.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=19657

Richmond, Christine J., Ms Dora Benedek, Bobana Cegar, Mr Peter Dohlman, Michelle Hassine, Beata Jajko, Piotr Kopyrski, Maksym Markevych, and Mr Jacques A. Miniane (2019). Reassessing the Role of State-Owned Enterprises in Central, Eastern and Southeastern Europe. International Monetary Fund. https://www.imf.org/~/media/Files/Publications/DP/2019/English/RRSOECESEEEA.ashx

Rocha, R. (2011). Financial Access and Stability for the MENA Region: A Roadmap. Washington, DC: World Bank. http://documents1.worldbank.org/curated/en/343771468052798123/pdf/649370PUB0Fina00Box361550B00Public0.pdf

Rosen, D., W. Leutert, and S. Guo (2019). Missing Link: Corporate Governance in China's State Sector. Asia Society Special Report with Rhodium Group, San Francisco, CA. https://asiasociety.org/sites/default/files/inline-files/ASNC_Rhodium_SOEReport.pdf

Sheshinski, E., and L. F. López-Calva (2003). Privatisation and Its Benefits: Theory and Evidence. CESifo Economic Studies 49 (3): 429–59. Ifo Institute for Economic Research, Munich. http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.201.3522&rep=rep1&type=pdf

Weber, A. (2020). COVID-19 in the Horn of Africa. SWP comment. NO.20 MAY 2020. Stiftung Wissenschaft und Politik. German Institute for International and Security Affairs. https://doi.org/10.18449/2020C20

World Bank (2014). Corporate Governance of State-Owned Enterprises. The World Bank. https://openknowledge.worldbank.org/bitstream/handle/10986/20390/9781464802225.pdf?sequence=1&isAllowed=y

World Bank (2014). *Corporate governance of state-owned enterprises: a toolkit* (No. 91347, pp. 1-391). The World Bank. https://doi.org/10.1596/978-1-4648-0222-5

World Bank (2020a). State-owned Enterprises and COVID-19. The World Bank. https://blogs.worldbank.org/psd/state-owned-enterprises-and-covid-19

World Bank (2020b). Tracker of Subsidies and State Aid to mitigate COVID-19 Effects. The World Bank. https://dataviz.worldbank.org/views/AID-COVID19/Overview?:embed=y&:isGuestRedirectFromVizportal=y&:display_count=n&:showAppBanner=false&:origin=viz_share_link&:showVizHome=n

Suggested citation

Megersa, K. (2020). *State Owned Enterprises and Public Finances in Developing Countries: The Impact of Economic and Health-related Crises*. K4D Helpdesk Report 865. Brighton, UK: Institute of Development Studies.

About this report

This report is based on nine days of desk-based research. The K4D research helpdesk provides rapid syntheses of a selection of recent relevant literature and international expert thinking in response to specific questions relating to international development. For any enquiries, contact helpdesk@k4d.info.

K4D services are provided by a consortium of leading organisations working in international development, led by the Institute of Development Studies (IDS), with Education Development Trust, Itad, University of Leeds Nuffield Centre for International Health and Development, Liverpool School of Tropical Medicine (LSTM), University of Birmingham International Development Department (IDD) and the University of Manchester Humanitarian and Conflict Response Institute (HCRI).