Chapter VII

Summary of the Findings & Policy Implications
## DETAILED CONTENTS

<table>
<thead>
<tr>
<th>Contents</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>290</td>
</tr>
<tr>
<td>Section-1: Layout and Summary of the Chapters</td>
<td>291-298</td>
</tr>
<tr>
<td>Section-2: Results of the Hypotheses Testing</td>
<td>298-301</td>
</tr>
<tr>
<td>Section-3: Major Contributions of the Thesis</td>
<td>301-304</td>
</tr>
<tr>
<td>Section-4: Strengths, Weaknesses, Opportunities and Threats of Privatization in Iran</td>
<td>304-308</td>
</tr>
<tr>
<td>Section-5: Policy Implications</td>
<td>308-314</td>
</tr>
<tr>
<td>Section-6: Potential Areas for Further Research in Iranian Privatization</td>
<td>315</td>
</tr>
<tr>
<td>Section-7: Conclusion</td>
<td>315-316</td>
</tr>
</tbody>
</table>
SUMMARY OF THE FINDINGS
AND
POLICY IMPLICATIONS

Introduction

For brevity’s sake of accessibility, this last and concluding chapter, has been divided into seven sections.

In Section-1 it is proposed to demonstrate briefly over-all resume of the thesis accompanied with the summary of all the seven chapters. Section-2 is followed by the tested results of hypotheses which are stated in introductory chapter and successfully verified in the subsequent chapters. Section-3 introduces and explains some major contributions of this thesis to the study of Iranian privatization of industries on the basis of the objectives and the hypotheses of the study. Section-4 analyzes and describes strengths, weaknesses, opportunities and threats of privatization in Iran based on primary and secondary data of the research. Section-5 with regard to the objectives of the research, the main focus of this part is to present some policy imperatives and suggestions for privatization in Iran from three view points, namely, economic effectiveness of privatization, governance and management issues of privatization and social reaction to privatization based on primary and secondary data of the research. Section-6 identifies some potential areas for further studies and researches pertaining to Iranian privatization and Section-7 concludes and finalizes the outcomes of privatization of industries in Tehran city, Iran.
Section-1

Layout and Summary of the Chapters

Privatization is the most widely debated same as practiced economic strategy since 1980s all over the world. Many of the countries thought of reducing the extent of intervention of the government in economic operations because privatization is considered as a solution to most problems facing the economy as well as public sector enterprises and there is a global wave to sell off state-owned enterprise. Today, most countries are practicing privatization, based on their political, economic and social features to achieve development.

Privatization wave in Iran started after the ceasing of long drawn Iran-Iraq war in 1988. The new cycle of privatization in Iran began in 2001 with the establishment of Iranian Privatization Organisation (IPO). The new Iranian Economic Policy has given rise to significant focus on privatization of the state-owned enterprises. However, privatization in Iran has achieved little success on the account of various complications, obstacles and issues involved with the privatization process. But as it is evident, the Iranian senior authorities are inclined to continue privatization in Iran.

The main focus of the present research is to examine privatization of industries in Iran from three view points, they are:

- Economic Effectiveness of Privatization
- Governance and Management Issues of Privatization
- Social Reaction to Privatization

This study has focused on macro as well as micro level aspects of privatization. At macro level, the study covers the trends, the practices and the progress of privatization at global level in brief and national level in detail. At micro level, the study covers Tehran’s privatization scenario with the case study of
Privatization of Industries in Iran: A Case Study of Tehran City

privatized industries in that city. Such national (Iran) and state level (Tehran) studies would help to understand the privatization experience of Tehran, in the background of Iran’s experience.

This study is an attempt to testify the pros and cons of privatization from economic, governance and management and social view points by making use of the questionnaires in order to analyze and verify the hypotheses of the research issues.

The proposed research is an effort to define the progress, trends and issues of privatization in Iran. Examination of the economic effectiveness of privatized industries, evaluation of the governance and management issues of privatization, analysis of the social reaction to privatization and suggestions are based on both, primary data, results of practical cases studies of privatization of industries in Tehran city, Iran and secondary data collected at global and national level. With these objectives in mind, the first chapter analyzes the concept of SAP, new economic policy and privatization. A review of propounding the research issue, the statement of the research problem, scope and importance of the study enhance empirical significance of the present research. An exhaustive and scientific survey of literature has been attempted to work out clearly and sharply objectives, hypotheses and methodology of the study. The research, the issue, the location and the time domain, variables in research, the procedure of selecting industries under-study in Tehran, statistical society and sample society of the study, measurement scale, explanation of the questionnaires, questionnaire’s validity and reliability of the questionnaires, limitations and chapter scheme of the study throws light on the entire course of the study. In brief, the introductory chapter is like a roadmap of the present research work and also provides a basis as well as the framework to this study.
In the second chapter, an attempt is made to analyze the conceptual understanding, theoretical foundation, evolution and empirical perspective of privatization. In Part-A, the concept of privatization has been examined in detail along with some eminent definitions of privatization. Further more, the primary and the secondary objectives of privatization have been listed which intensifies the knowledge and rationale of privatization.

In Part-B, the strong theoretical framework of privatization has been analyzed with the purpose of providing a powerful theoretical foundation, evolution and justification to privatization. The core theories of Aristotle, Physiocracy, Adam Smith’s Classic School, David Ricardo and his Laissez-fair Policy, John Stuart Mill and his idea of “assignment of a minimum role to the state in economic affaires”, John Bob Say and his Law of Market, Warehan’s interpretation of the basic principals of Adam Smith’s Theory, historical school of Freidreich List, Marx’s Socialism, Neoclassicism, Alfred Marshal and his attitudes towards free market system and Scully Studies, provide green signal to privatization. Structuralism and the Policy of Structural Adjustment which was recommended by IMF and World Bank, Contestability and Dead Weight Loss Theory, cross-section studies, micro-economic impact of privatization, macro-economic fiscal and welfare effects of privatization, etc. strongly justify the logic of privatization and have caused the expansion of privatization in many countries, including developed and developing ones.

Similarly, in Part-C of the second chapter, an empirical analysis of privatization has been made by following the privatization scenario at global level. Privatization trends in developed countries including England, France, Germany, Italy, United States of America, Canada, Japan, East Europe, Poland, Russia, Czech and Slovakia are examined in detail.
Privatization trends in developing countries consist of the experiences of Latin America, Mexico, Brazil, Europe and Central Asia, East Asia and Pacific, China, Middle-East and North Africa, South Asia, privatization in India and privatization in Sub-Saharan Africa. Privatization proceeds by sector and region has been examined in detail with the help of World Bank Report. While considering empirical analyses, the global scenario of privatization clarifies that the cost of “no” or “slow” privatization can be high. There should be a reinforcing and redoubling of attempts to privatize correctly.

Chapter three is an introduction to privatization in Iran, trends and issues. It provides an economic profile and brief description of the Iranian economy. In this chapter Iranian’s new economic development policy, privatization as one of the most important pivots of these policies has been listed. The progress, trends and issues of privatization in Iran are explained and privatization and the Constitution linkage of the Islamic Republic of Iran have been discussed in detail.

With regard to the Iranian experience of privatization, Iran began its economic development during 1960s and 1970s, but it was not fruitful and effective. After the Islamic Revolution of Iran (February 1979), the problems caused by the imposed war, together with international pressure on Iran, hindered economic development course. After the Iraq imposed war against Iran in 1988, the first five-year Economic, Cultural and Social Development Plan (March 1990-1995) was the first fulcrum for adopting privatization policies in Iran. Later, through the law of 1991 and the measures translated in the second five-year Economic, Social and Cultural Development Plan (March 1995-2000), contains details of the objectives and rules of privatization in Iran. The same thrust continued in the third (March 2000-2005) and the fourth plan (March 2005-2010).

The new cycle of privatization in Iran began in 2001 along with the establishment of IPO. Government’s policy towards privatization, privatization
movement and Justice Shares programme as a part of privatization in Iran has been analyzed. In November 2008, Iran announced that 22.5 million people have received Justice Shares. Privatization and the details of methods of privatization through ownership transfer and without transferring ownership are discussed.

The procedure of transferring through Stock Exchange Market (SEM) enjoyed the highest percentage of shares transfer from SOEs to the private sector and Tehran’s Stock Exchange (TSE) opened in 1968. Transferring organizations, namely, IDRO and IPO in Iran are introduced accurately, even though, since 2001, IPO has been the most significant organization in charge of execution of privatization in Iran. Objectives, fundamental tasks and duties of IPO and privatization procedures adopted by the IPO have been considered. The obstacles and problems encounter to privatization in Iran have been examined in depth, in order to improve the better planning of future activities of privatization in Iran. According to the secondary data acquired from the study, the first objective of the study is fulfilled and it revealed that privatization in Iran is a post Iran-Iraq war (1988) phenomena which is supposed to be a restructuring of the Iranian economy.

The fourth chapter verifies the pros and cons of economic effectiveness of privatization of industries pre and post period of privatization. This chapter contains two parts:

**Part-A** explains the economic theory of privatization, the economic performance and effectiveness of privatization and evidence on economic effectiveness of privatization in comparison with public and private firms.

**Part-B** of this chapter appraises the economic effectiveness of privatization by comparing privatized industries in Tehran pre and post period of privatization.

The survey findings in this chapter are based on the managers and staff perception of the state industries transferred to private sector. For this purpose, the
chapter is supported by a case study of thirty one privatized industries located in Tehran, Iran which were hitherto state-owned enterprises. Seventy two (sample society of this part of the study) questionnaires which contain fifteen questions have been distributed among managers and staff of the above mentioned privatized industries. Each of the questions raised in the related questionnaire have been analyzed as an assumption and any question pre and post of privatization statistically has been examined and the results are obtained. Finally, the main hypothesis (the first hypothesis of the research), namely “the economic effectiveness of privatized industries in Tehran shows a positive trend.” has been tested and investigated.

Chapter five intends focusing on the examination of governance and management issues of privatization of industries in Tehran city, Iran. This chapter consists of two parts:

Part-A explores the concept of governance and management of privatization, initiation of characteristics of good governance, introduction of the essential factors to support appropriate economic environment for privatization and private enterprise development. This part has examined a set of important principles for managing the processes and procedures of privatization.

Part-B of this chapter is supported by a case study of privatization in Tehran city and deals with governance and management issues of privatization by analyzing sixty three (sample society of this part of the study) questionnaires distributed to the managers and staff in charge of execution of privatization who have responded to fifteen questions in the related questionnaire. Every question raised in the questionnaire relating to various issues of governance and management issues of privatization has been examined as an assumption. For this purpose, the status of every question statistically analyzed and the results were obtained. Finally the main hypothesis (the second hypothesis of the research) which refers to the governance
and management issues of privatization, namely "governance and management of privatization significantly determine the progress of privatization" has been tested and determined.

**Chapter six** determines the trends and issues of the impact of privatization on the society. This chapter has focused on social reaction to privatization in Tehran. The vital objective and the main core of this chapter are to discuss the sociology of privatization, which is in fact, more important and powerful than economics of privatization. This chapter also contains two parts.

**Part-A** gives a brief review about social reaction, society and privatization, labour and welfare issues of privatization and also an empirical analysis has been made by tracing the public opinion and privatization scenario at a global level.

**Part-B** of the sixth chapter provides a very scientific and systematic attempt to feel pulse of the cross-section of different folks of Tehran city, such as workers, office employees, university staff, clergymen, university students, neighbours, businessmen, etc. The questionnaires distributed among two hundred and sixty seven individuals (sample society of this part of the study) who have responded to seventeen questions in the related questionnaire. Each of the questions raised in the questionnaire has been examined as an assumption. For this purpose, the status of every question statistically analyzed and the results were obtained. Finally, the main hypothesis (third hypothesis of the research) which reflects the attitudes, behaviours and social reaction to privatization in Tehran city, namely "the social reaction to privatization in Tehran City is positively significant" has been analyzed and examined.

In the last chapter an effort is made to summarize the entire thesis, to determine the results of the research hypotheses testing, to introduce major contributions for making major highlights in the objective framework of this research. Based on primary and secondary data of the present survey, an attempt is
made to analyze the strengths, weaknesses, opportunities and threats of privatization in Iran and also to draw some policy imperatives by considering the hypotheses and objectives of the research, to make privatization more feasible and to initiate areas for further research in Iranian privatization, sufficient issues are raised. At the end, the conclusion of the research is drawn.

Section-2

Results of the Hypotheses Testing

In 1978 while a considerable number of countries pursued privatization, deregulation, liberalization and elimination of the various distortions, Iran was expanding its already large public sector. Three factors were behind this tendency: firstly, the Islamic Revolution of Iran in February 1979 with its goal of social justice. Immediately after the revolution, the government embarked on a wave of nationalization, including heavy manufacturing and industries, banking and insurance. Secondly, the income from oil, which is exclusively owned by the government since it began in Iran and the government has exclusive rights over the discovery and extraction of oil. Thirdly, the Iraq imposed war against Iran started in September 1980 and this long drawn war caused a large increase in subsidies of basic food and public utilities. Items such as bread, sugar, rice, eggs, butter, red meat, milk, vegetable oil, public transport, water, electricity, gas, gasoline and petrol were among those subsidized.

After Iran-Iraq war (1988) in response to various distortions in the Iranian economy, the government of the Islamic Republic of Iran decided to implement a new Structural Adjustment Plan (SAP) which is leaning more towards open economy, liberalization and privatization. Increasing the role and place of private sector through privatization, floating the rate of foreign exchange, eliminating
various price distortions, as well as eliminating monopolies, were among the objectives of SAP in Iran, so privatization wave started since 1988, after ceasing of the long drawn Iran-Iraq war. The first Economic, Cultural and Social Development Plan (March 1990-1995) was the initial step of SAP in Iranian economy and was considered as a major tool for economic restructuring in Iran. It was also the first legal fulcrum for adopting privatization policies in Iran. In fact, increasing private sector participation (privatization) in economic activities and promoting competition was the main pivot of SAP implemented in Iran. The same thrust continued in the second (March 1995-2000), the third (2000-2005) and the fourth Economic, Cultural and Social Development Plan (2005-2010).

With aforementioned findings in chapter three of the present thesis, which examines the progress, trends and issues of privatization in Iran and analysis of these trends, it is absolutely clear that privatization in Iran is a post Iran-Iraq war phenomenon and this fact has been exactly proved. Hence the very first objective of the research, i.e. to study the progress, trends and issues of privatization in Iran reveals that privatization in Iran is a post Iran-Iraq war (1988) phenomena which is supposed to be a restructuring of the Iranian economy.

The first hypothesis is related to the objective of the study, i.e. the economic effectiveness of the SOEs industries transferred to the private sector in Tehran city. The survey data for this hypothesis are the pros and cons about economic effectiveness of privatization pre and post, from managers and staff perspective of the industries transferred to the private sector which were hitherto state-owned enterprises. The responses to the questions, raised in the related questionnaire pre and post privatization are the primary data about first hypothesis of this survey and they have been analyzed statistically. For this purpose, the mean values of responses to the questions pre and post privatization have been used and T Student Test has been employed. The secondary database at global level in both
developed and developing countries (which have already investigated in chapter II) are in favour of privatization and based on well-defined economic parameters, the economic effectiveness of SOEs have been improved after privatization and privatization is strongly justified. Primary data results from the micro level, case study of Tehran city, which is the hub of economic activities and privatization impact along with statistical evaluation and examination which is discussed in chapter IV, justifies the positive economic effect of privatization, therefore, both primary and secondary data support economic effectiveness of privatization positively and first hypothesis is strongly approved and it revealed that “the economic effectiveness of privatized industries in Tehran shows a positive trend”.

According to the second hypothesis, “governance and management of privatization significantly determine the progress of privatization”. The survey data for this hypothesis are obtained from the managers and staff perspective who are in charge of execution of privatization in Iran. The responses to the questions raised in the related questionnaire are the primary data for the second hypothesis of this research and they have been tested and examined statistically. For achieving this purpose, the mean value of responses to the questions related to various issues of governance and management of privatization has been used and T Student Test has been employed. Considering the statistical analysis of findings which are discussed in chapter V, the second hypothesis has been closely examined and the result is positive and it revealed that “governance and management of privatization significantly determine the progress of privatization”.

The third hypothesis is examined in chapter six. It has been hypothesized that the reaction of the people residing in Tehran city is an important factor in privatization process. The data collection for this hypothesis is the responses to the
questions raised in the related questionnaire from different folks of the people of Tehran city to privatization.

The primary data about this hypothesis has been statistically analyzed and tested in chapter VI. For this purpose, the mean value of responses to the questions has been used and T Student Test has been employed and it revealed that the people’s viewpoints to privatization is a significant factor and without support and advocation from the mass, no reform is likely to succeed. The results of testing the last hypothesis of the present research revealed that “the social reaction to privatization in Tehran City is positively significant”.

Section-3

Major Contributions of the Thesis

Major contributions of the thesis in the objective framework of the study are determined as below:

- An examination of the progress, trends and issues of privatization in Iran indicates that, for a long time Iran was a closed economy and recently, after Iran-Iraq war, i.e. from 1988 onwards, SAP was introduced, focusing on privatization in response to various distortions in the Iranian economy. But due to different reasons such as the economic, governance and management and social problems (some of these elements still do exist), this policy had not been successful until the year 2001. The new cycle of privatization in Iran began in 2001, with establishment of IPO. This process is continuing regularly according to the fourth Economic, Cultural and Social Development Plan (2005-2010). An exhaustive literature survey of the thesis reveals that such studies are scanty. However, a renewed vigour in
The privatization drive in Iran has created plenty of opportunities for such mainstream works. **Hence, the present research is a path breaking study.**

- Theoretical foundation and privatization experience in other parts of the globe has been drafted and the empirical findings of several academic studies related to this research along with micro level case study from three viewpoints: economic, governance and management and social in Tehran which is the capital of Iran and hub of the economic activities are analyzed in detail. Hence, the effect of privatization in Iran is deeply captured. **All these would enable a better understanding of privatization issues in Iran.**

- The performance of SOEs is not efficient, while the goal of privatization is to increase efficiency and to improve the positive impacts of economic effectiveness of those enterprises which were hitherto owned and operated by the government, since there is a universal agreement that privatization increases the economic efficiency. Many of the economic researchers have devoted a great deal of attention to this objective of privatization by comparing public and private firms. These studies are clearly in favour of economic efficiency of privatized enterprises. The economic effectiveness of privatization in its practical field of privatization in Tehran is examined and tested statistically **pre** and **post** privatization. Evidences from 31 privatized industries in Tehran which were earlier state-owned enterprises show that: **by increasing competition and productivity in privatized industries, the economic efficiency improves.**

- In many developing countries, the challenge for the governance of privatization is establishing an appropriate economic and legal environment for privatization and private enterprises development. This means managing the economic reforms necessary to support an emerging private
sector. Another challenge facing governments for governance and management of privatization is to develop and manage the procedures for transferring SOEs to the private ownership and encouraging private sector participation in providing goods, services and infrastructures. Many governments in developing countries have been working to deal with public governance and management issues and there is an increasing interest in promoting reforms that help privatization. Governance can be used in various contexts such as corporate governance, international governance, national governance and local governance. At micro level, governance and management issues of privatization of industries have been closely examined in a practical field in Tehran and essential pre-requisites for governance and management issues of privatization are statistically examined and introduced, which expose the lacuna in the government policy towards privatization and rectification of the same would lead to more feasible privatization and to make the process of privatization more successful in Iran.

- This study elucidates that privatization is not just a change of economic responsibility, but also it can lead to changes beyond economics and to greater social growth. It is identified that the social reaction would be much stronger and critical in a country like Iran, which is more conservative and centralized. In Iran and at global level, the truth is until and unless people accept, support and participate in privatization, the results would be poor and the privatization would be unsuccessful and this conclusion has been insisted by this research. A major contribution of the present research is related to the statistical analysis of social reaction to privatization. Social acceptance and support to privatization is discussed by interviewing the cross-section of people’s opinion residing in Tehran and socio-economic
analysis of privatization is a unique contribution of the present research. It can make the process of privatization more smooth and successful especially in developing countries including Iran.

➢ On the basis of primary and secondary data, some major aspects related to SWOT of Iranian privatization are listed. These analyses would throw light on the better future policy of privatization in Iran. In other words, the policy suggestions and imperatives would provide a road map for privatization in Iran.

➢ Accurate research requires full familiarity with its methodology and the present research is logically supported by a unique methodology. The stages and the procedure of selecting under-study industries in Tehran, statistical society and sample society of the study, questionnaires, measurement scale analysis, questionnaires’ validity and reliability of the questionnaires have been described in chapter I. Hence, from Methodological Research Perspective this Thesis is a fine blend of Theory, Policy and Practice.

Section-4

SWOT Analysis of Privatization in Iran

On the basis of primary and secondary data, some major points relating to SWOT of Iranian privatization are listed as below:

1) Strengths of Privatization in Iran

- Enhancing the efficiency of manufacturing units.
- Reducing pressure on the government budget.
• Gaining access to international capital and technology markets and renovate the technologies existing in the country.
• Attracting private capital and involve people in the national production.
• Increase of job opportunities in the long run.
• Enhancement of people’s participation in economic activities.
• Expanding and strengthening the stock market.
• Reducing size of the government’s presence in economic system.
• Considering the fact that the wealth and natural resources belong to all Iranian generations and therefore it is not fair to use these resources for one generation alone, i.e. sustainable development.

The above mentioned strengths of privatization provide a strong rationale for privatization in Iran.

2) Weaknesses of Privatization in Iran

There are some weaknesses for proper implementation and sustainability of privatization in Iran which can be summarized as below:

- The government's growing grip over and involvement in economy and trade particularly foreign trade.
- Adoption of monetary and foreign exchange policies as multi-parity rates of foreign exchange and insistence on implementing these policies despite the appearance of their negative impacts on the society.
- Lack of commitment on the part of some high ranking government officials to privatize economic and trade operations.
- Inadequate enforced laws and necessary regulations guiding privatization.
- Low rate of capital formation among privatized units.
- Poor possibility for private sector’s competition and inadequate global networking.
An understanding of the above mentioned weaknesses of Iranian privatization enables the formulation of a more feasible policy of privatization in Iran.

3) Opportunities of Privatization in Iran

According to the findings of this research the following points can be mentioned briefly as some opportunities of privatization in Iran:

- Growth of the private sector and creation of a healthy competition in the production sector and people's direct involvement in economic activities and creation of job opportunities.
- Increasing the efficiency of the production sector and curbing inflation.
- Creating an atmosphere of confidence for domestic and foreign businessmen and helping boost of the export of non-oil commodities.
- Attracting domestic and foreign investments in the form of hard currency or modern technologies.
- Bringing about further harmony with the international economic system in order to join the member countries of the World Trade Organization.
- Gaining access to modern managerial techniques and getting away from outdated and traditional managerial methods.
- Diluting the government's role in the economy, improving the budgetary structure, reducing budget deficit, cutting government expenditures and reducing government’s subsidies.
- Improving taxation system and exploring new financial resources for the government to invest in infrastructures.
Reducing and stabilizing wages and salaries and offering goods at competitive prices.

Improving social security system.

The above mentioned opportunities constitute the strong foundation for further strengthening of privatization movement in Iran.

4) Threats of Privatization in Iran

The following are the threats which this research considers important enough to be studied in depth, in order to improve and to plan a better future for privatization in Iran.

- Some enterprises have been privatized due to inefficiency. Such companies are not successful even in the hands of the private sector. They should have been made efficient through better management before being privatized.

- In any society there are those who reject privatization from among workers, government officials, intellectuals, etc. and each group has its own reasons. This is true with Iran too, and the readiness of the public to accept this movement is essential and very important.

- Human resources of the companies to be privatized are the most significant asset. The rules and regulations of the country should be supportive enough for the redundant workers.

- There are countries in which enterprises are privatized and at the same time the government finances the investors who can not afford expensive technology. Such policy may prove useful in some countries but it does not seem to be compatible with Iran.

- Privatization follows the law of supply and demand. If there are no eligible investors, the officials should not hastily offer stocks.
• Privatization should have begun at a small scale and with small enterprises. This could have given the decision-makers a chance to examine the outcomes and base their subsequent move on them.

• Government agencies which decide to privatize parts of their properties are supposed to handle the case by themselves. It is true that privatization is a techno-economic endeavour and one should not expect any high-ranking official to be an expert in it. A central advisory committee is needed to coordinate all the cases.

• Size of the government interventions is one of the reasons that make privatization essential and necessary in Iran. Now, by commence of privatization movement in Iran, we need to have full control over the size and extension of state agencies in order to make privatization more effective. To ensure successful and effective privatization in Iran, the above mentioned threats should be taken care of.

Section-5

Policy Implications

Based on primary and secondary data of this research and while considering economic effectiveness of privatization, governance and management issues of privatization and social reaction to privatization, some policy implications to guide privatization in Iran successfully can be discussed as below:

➢ Three different sets of questionnaires (consist of 47 questions) have enabled a very comprehensive outcome of policy implications as a road map for guiding privatization policy in Iran.
Economic liberalization means liberalization of prices, domestic and foreign trade, foreign currency rate, competitive opportunities, etc. which are pre-requirements of privatization and must be pursued prior to privatization, because if the subsidies of raw material and energy of privatized firms are cut, many of the privatized companies will lose competitive ability and will become disadvantageous firms. During years 2007 and 2008, Iran’s economic liberalization attempt was faced with similar problems. This lack of appropriate economic liberalization in Iran will make it hard to access the major targets of privatization once again. Therefore, privatization demands a series of increasing in the efficiency of private sector, SAP and hence, appropriate measures should be taken to create such conductive enhancement. In 2000, the Iranian Press Service reported that the Iranian expatriates have invested about $200 US to $400 US billion in the United States, Europe and China, but almost nothing in Iran. In Dubai alone, Iranian expatriates are estimated to have invested up to $200 US billion. If the Iranian government can seriously encourage foreign investment from Iranian capitalist citizens abroad, related to privatization, things will change drastically in Iran. Increasing the Iranian investment abroad, especially the countries situated on the south part of the Persian Gulf confirms feeling of insecurity among the Iranian capitalists.

The empirical studies and the case study experiences, show the competitiveness of the privatized industries plays a key role in the success of privatization while monopoly in production and distribution brings net profits for the companies and prevents them from operation in competitive scene. For improving and elaborating the competitive quality of privatized industries in Iran firstly, we have to emphasize on the policy and institutional groundwork market operations rather than focusing solely on
Privatization transactions. This involves development and protecting competitive forces, creating proper regulatory frameworks before privatization. Secondly, the comprehensive privatization and transferring all the economic sectors together instead of single economic sector must be under strict consideration in order to prepare appropriate competitive condition in the market.

- Labour restructuring of SOEs is often necessary to improve the efficiency and competitiveness of privatized companies. Privatization has had a minimal effect on employment in countries that carried out labour reforms well before privatization, but large employment reductions have often accompanied privatization of the state enterprises that were heavily subsidized in the past and protected from competition. In these circumstances the cost of privatization for state enterprises workers and employees can be high, involving layoffs, difficulties in job relocation and uncertainty. In a country like Iran with absence of social safety nets; first, we have to develop social safety nets for the adversely affected. Second, to provide at least a 5 year employment guarantee, set the standard for future sales and transferring. Third, early retirement and voluntary departure programme by providing severance pay packages that have exceeded legally mandated requirements, but such programme can be quite costly and usually the best workers apply to leave. Fourth, retraining programmes aim to assist displaced workers in making the transition to alternative jobs in growing sectors of the economy or in becoming self-employed.

- Considering theoretical and empirical experiences and micro level case study of Tehran, reveals that among the most important sets to reinforce the positive economic impacts of the privatization and increasing efficiency of the privatized industries in Iran; firstly, a true investigation and estimation
of the financial, managerial, and entrepreneurship capabilities of the buyers of the SOEs is quite necessary and at the mean times, to study and estimation of the buyers’ background of their productive endeavours and their programmes and plans for administration of the transferred units in the future. Secondly, the government must assure its body from the positive results derived from this transferring process, since the objective and target of privatization is to improve the efficiency of the institutions and increasing their productivity and even if it is really needed, the government must directly advocate the transferred sectors, this is because of the unique structure of production in Iran. Dependence to the foreign currency and the imported raw materials in the process of production, the government’s dominance in earning and allocation of the foreign exchange incomes therefore, supervision and oversight of the government on privatized sectors, at least in a short-run period is quite necessary and needful.

The amendment of the Article 44 of the Iranian constitution, heralds a new era in economic reform in the country. Such a large-scale privatization and alteration requires economic experts of competent planners and advisors with the government’s presence at all stages of privatization. In Iran, this seems to be inadequate in privatization process, where the rate of privatization has attracted more attention than the quality of the process. Besides, poor supervision on transferred units and role of some managers, are among the deterrent factors of privatization. The state managers who still resist privatization are categorized as one of the impeding factors facing government’s plan. Some of these state managers would suffer a shock if told they are no longer an employee of the government and they must earn livelihood by working for a private owned economic system. In order to absolve this problem the government must conquer this worrisome
among the state managers by using various practical and appropriate methods, like transferring some certain parts of shares of SOEs to their current employees and managers. Another measure is to prepare a classifications and clear priorities of SOEs in various economic sectors and qualitative, logical estimation of transferable of their shares that can help for better realization and the process of decision making in privatization process in Iran.

➢ According to the order of transferring large companies in July 2006, 80 percent of the SOEs shares ought to be transferred to the private ownership, 40 percent through the Justice Shares scheme and 40 percent through the Bourse to Private, Co-operative and Non-governmental public sectors and the government will keep the remaining 20 percent, but it is substantial and note worthy to mention that transferring of the ownership must be accompanied with management transferring and in this way more advantages will be attained from the potentials of the private sector. Till date, privatization in Iran is mostly done by ceding the financial resources in transferred companies and transposing to quasi-public foundations like State Retirement Organization, Retirement Fund in return for state liabilities to these entities and Justice Shares instead of managerial transferring to private sector. Considering such conditions major changes are not expected to happen in order to access increasing efficiency and national wealth targets in economy of Iran. In 2007 the Supreme Leader, Ayatollah Khamenei requested the government officials speed up implementation of the policies outline in the amendment of the Article 44 and move towards economic privatization. He also suggested that ownership rights should be protected in courts set up by the Ministry of Justice, but despite these statements, officials support for privatization
remained slow, due to the political atmosphere of the country and the baneful competition of political parties. Political commitment and stability are a pre-requisite for successful privatization. Therefore, ensuring such environment also, amounts to progressive privatization.

- Transparency is an important issue in privatization process in Iran. Any reform that increases the competitiveness of the economy helps to reduce corrupt incentives, but simultaneously, privatization process itself, can become an attractive opportunity for corruption. In such instances, often the bidders with the best connection to public officials receive preferential treatment and purchase the shares far below market price. A major complaint against privatization is inadequate transparency; therefore, an essential pre-requisite for a successful privatization is transparency.

- Pertaining to the methods of privatization process each method has its own limitations and advantages. It is necessary to standardize the valuation methodology to privatization for all SOEs. There are no variations from case to case, though it is essential to improve some transferring methods like stock market, auction, etc. in the process of privatization.

- Pricing SOEs shares should not only be determined just by the value of physical assets of the privatizing industries but also its future prospects and good will attached to it in the national and international market.

- A blend of the theory, empirical and micro level case study of Tehran city, showed that a powerful and essential element to privatization is social reaction, because transition from a planned economy -- especially in Iran which had a closed and centralized economy for a long time -- to a market economy is a process of change in people’s ideology. What is obvious, is the fact that privatization will not take place and not estimated to succeed without support from the mass. Social reaction can be understood as
society’s acceptance or rejection or a mixed response to privatization. Social reaction to privatization can be better captured by examining the views of labour class to privatization impact on society. Privatization will lead to the loss of employment, particularly in Iran, with a conservative and closed economy. Despite the fact that social safety nets are inadequate in Iran, the political and social implications of layoffs mean that the Iranian government should be involved in the design and funding of social programmes to deal with labour, unemployment and uncertainties.

Privatization will result in improved firm profitability, but these achievements can be outweighed by the welfare losses, imposed poverty, income distribution and social expenditures. This is also true with Iran and the public acceptance and support are major considerations in the implementation of privatization programme. The Iranian government must ensure that political, economic and social priorities to privatization are based on broad consent in society and voices of the poorest and the most vulnerable people in society would be heard in the process of decision-making to privatization.

The global experiences and using citizens attitudes towards privatization culled out from Tehran city case study reveals the most important elements effecting on social reaction trends to privatization, like awareness of privatization process, well defined measures to ensure economic equality, liquidating non-performing industries, decreasing the economic oil dependence, transparency in privatization process, benefits of privatization based on labour and welfare issues and effectiveness of privatization on job opportunities for women.

It should be kept in mind that privatization is only one process of a large system and it can be effective only if it keeps pace with other processes.
Section-6

Potential Areas for Further Research in Iranian Privatization

With regard to the present research experience, the following potential areas for further research in Iranian privatization can be identified as below:

- Effectiveness of privatization in social sectors, such as health, education, tourism and hotel industry.
- The impact of privatization on labour/employment/qualitative jobs.
- The role of privatization on reducing the economic oil dependence.
- The influence of privatization on job opportunities for women.
- The relationship between privatization and socio-economic justice in the society.
- The effectiveness of privatization on productive and non-productive sectors.
- The impact of privatization in infrastructure sectors services such as water, electricity, gas, petrol and public transport.

Section-7

Conclusion

During the last two decades, economic reforms and privatization have been placed among the most important global issues and an increasing number of countries are going through the process in the form of privatization. The Islamic Republic of Iran declared its intention to privatize most of the state industries in an effort to stimulate the ailing economy after the Iran-Iraq war, i.e. from 1988. With regard to the progress, trends, issues and experiences, privatization in Iran is a post Iran-Iraq war (1988) phenomena which is supposed to be a restructuring of the Iranian economy. The rationale for privatization of SOEs is government
inefficiency in operating industries and public service sectors. Evidences from theoretical, empirical and practical field of privatization of industries in Tehran, justified the positive economic effectiveness of privatization. Examining the **pros** and **cons** in **pre** and **post** period of privatization verified that the economic effectiveness of privatized industries in Tehran shows a positive trend. Governance and management issues of privatization based on empirical and case study experiences of Tehran city are statistically tested and it revealed that governance and management of privatization significantly determine the progress of privatization. A true and beneficial privatization gives the private sector the authorization to operate in economy, independent from the state sector in management and organization. In the theoretical and empirical background, a scientific and systematic attempt is made to feel the pulse of cross-section of people in Tehran city and it has demonstrated that social reaction to privatization is significant. The global experience has also shown the economic reforms and privatization will benefit the economy in a long run, only if social and macro-economic stability is preserved in the privatization process. The case study of social reaction to privatization by using citizens’ attitudes and trends towards privatization, culled out from people residing in Tehran city verifies that privatization needs social participation and without this support from the mass, no reform is expected to succeed and it revealed that the social reaction to privatization in Tehran city is positively significant. Privatization and its consequences in Iran seem a little soon and there are still some problems and nuisances in this course, but since it is already planned, the senior authorities of Iran are truly and seriously working to continue privatization in Iran.