

# Privatization For Progress: Reshaping Iran's Economic Future

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## INTRODUCTION

Privatization is vital for the post-Islamic Republic (IR) era, aiming to dismantle the remaining institutional power of the old regime, enhance economic efficiency, and encourage competition, transparency, accountability, and overall governance improvement through smaller government. The study's initial section explores the history of privatization in Iran, pre- and post-1979 Islamic Revolution. The following section analyzes the factors contributing to failed privatization in the IR, such as the state-dominated economy, significant involvement of the Islamic Revolutionary Guard Corps (IRGC), corruption, and other obstacles. Section three examines privatization agencies and their main methods.

The main challenge for privatization in Iran after the IR is deciding what to do with the five structurally corrupted and inefficient entities including Astan Quds Razavi, Mostazafan Foundation, Setad-e Ejraei-e Farman-e Emam, Komiteh-e-Emtedad, and the IRGC. Drawing insights from global practices, this research recommends establishing a committee, overseen by the Ministry of Economy, to implement privatization in Iran. The committee should compile a comprehensive list of state and quasi-state entities, including the five main institutions and their subsidiaries both domestic and foreign. The management and privatization of these institutions will be overseen by an independent entity such as one of the Big Four accounting firms. Additionally, increasing public awareness through media outreach by policymakers, stakeholder involvement, and social media publications is suggested.

In the short term, we propose that an accountant be appointed by the Privatization Implementation Committee for each state-owned enterprise. This accountant will supervise all financial affairs of the company, and no financial transaction will be made without their approval. In the long term, restructuring is proposed, starting with the termination and prosecution of corrupt managers and employees, followed by other restructuring measures. Privatization will commence with smaller companies, which require less pre-sale restructuring, pose lower political risk, and offer faster success, thereby paving the way for larger institutions.

As a short-term method of privatization, we recommend a combination of equity offering (minority) in stock exchange and voucher distribution (majority), which is generally suitable for Iran post-Islamic Republic. For the long-term, we suggest voucher distribution (minority) and equity offering (majority), as it is more realistic to sell assets closer to their intrinsic values. Regarding Iran's oil and gas privatization, we recommend maintaining current production levels and attracting foreign companies in the short-term, and dividing the ministry into separate gas and oil sectors in the long-term. Post-privatization care, crucial for the success of privatization, involves monitoring to prevent goal deviation, attracting foreign capital, and conducting comprehensive performance evaluations.

## 1. HISTORICAL BACKGROUND OF PRIVATIZATION IN IRAN

### 1.1 From 1963 Until Revolution in 1979

The significance of privatization and the government's role in the economy increased notably with the discovery of oil in Iran in the early 20<sup>th</sup> century. Prior to the Islamic Revolution, government-controlled entities dominated various sectors, including telecommunications, metallurgy, railways, airlines, sensitive industries like military production, and the tobacco department. In contrast, large private enterprises were limited in number, notable examples being the Iran National Automobile Factory and significant banks like the Export Bank of Iran. These government-managed entities served various objectives, including national security, economic control, and the consolidation of power.

The White Revolution, launched by Shah Mohammad Reza Pahlavi in 1963, was a comprehensive reform program aimed at modernizing Iran's economy and society. At its core was a land reform program that sought to redistribute approximately 50% of privately owned agricultural land to peasants with traditional sharecropping rights, covering about half of all village families. The White Revolution in Iran resembled South Korea's land reform initiative. South Korea's land reform, implemented in the spring of 1950, involved the compensated redistribution of land. The primary objectives of this reform were: (1) to promote socio-economic equality, particularly in rural areas, by dismantling the semi-feudal land tenure system, and (2) to foster greater agricultural productivity by transferring land ownership from absentee landlords to tenant farmers.

The land reform program was a crucial aspect of the White Revolution, as it aimed to break up the large estates owned by the aristocracy and redistribute the land to small farmers and peasants. This move was designed to reduce inequality, increase agricultural productivity, and improve the living standards of rural communities.

In addition to land reform, the White Revolution included several other key initiatives, such as:

- **HEALTH CORPS:** A program that utilized draftees with college-level medical training to provide healthcare services to rural areas<sup>1</sup>.
- **DEVELOPMENT CORPS:** A program that employed college graduates to work on development projects in rural areas<sup>1</sup>.
- **LITERACY CORPS:** A program aimed at reducing illiteracy rates in rural areas<sup>3</sup>.
- **INDUSTRIALIZATION AND INFRASTRUCTURE DEVELOPMENT:** Initiatives aimed at promoting industrial growth, expanding infrastructure, and improving living standards<sup>3</sup>.

By the mid-1970s, the White Revolution had expanded to include a total of eighteen distinct programs, all aimed at transforming Iran's economy and society.

The Shah's ambitious development program in the Middle East was initiated through extensive land reforms, a substantial literacy campaign, and a significant influx of foreign investment capital, exceeding \$2 billion<sup>1</sup>. Annual oil royalties of over \$500 million further fueled the program's rapid growth<sup>2</sup>. However, the Shah's modernization efforts were met with opposition from religious and radical groups, ultimately leading to the Islamic Revolution of 1979 and leaving the White Revolution and privatization process unfinished.

## 1.2 AFTER THE 1979 REVOLUTION: IRAN'S RETURN TO THE PATH OF THE STATE ECONOMY

### 1.2.1 Confiscations and Establishment of New Governmental Institutions

Following the 1979 Islamic Revolution, there was a substantial expansion of government-controlled economic units, driven by the pursuit of "economic justice." In the initial years following the revolution, the government expropriated and took control of numerous large and strategic entities, including banks, automobile factories, and industrial firms.

The state economy in the Islamic Republic<sup>3</sup> began and expanded with the confiscation of properties belonging to officials of the Shah's government and industrialists. In 1989, just before his death, Ruhollah Khomeini instructed the establishment of a holdings company known as the "Executive Headquarters of Imam's Directive" (Setad-e Ejraei-e Farman-e Emam in Persian). This organization, along with the Mostazafan Foundation, was created to manage assets obtained through confiscations and ultimately came under the control of the Supreme Leader.

In the first months following the 1979 revolution, the Islamic Revolutionary Council approved the Law on the Protection and Development of Iranian Industries. According to this law, the properties and assets of 51 large industrialists and mine owners, who had held significant interests during Mohammad Reza Shah's government, were confiscated.

### 1.2.2 The Beginning and Failure of Privatization in the IR

In July 2006, the government in Iran issued an executive order to implement the privatization plan outlined in Article 44 of the Islamic Republic's (IR) constitutional law. This plan mandated the transfer of 80% of the shares of significant state-owned enterprises (SOEs) to the public. The primary objective of this initiative was to align with the goals outlined in the regime's "20-Year

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<sup>1</sup> Golway, Terry and Les Krantz, *JFK: Day by Day: A Chronicle of the 1,036 Days of John F. Kennedy's Presidency*, 50th Anniversary Edition (Philadelphia, PA: Running Press, 2010), p. 29.

<sup>2</sup> George Brown Tindall and David Emory Shi, *America: A Narrative History*, Vol. 2, Fifth Edition (London: W. W. Norton & Co., 1999), p. 1485.

<sup>3</sup> <https://www.reuters.com/article/us-iran-setad-news-idUSBRE9AA0CY20131111/>

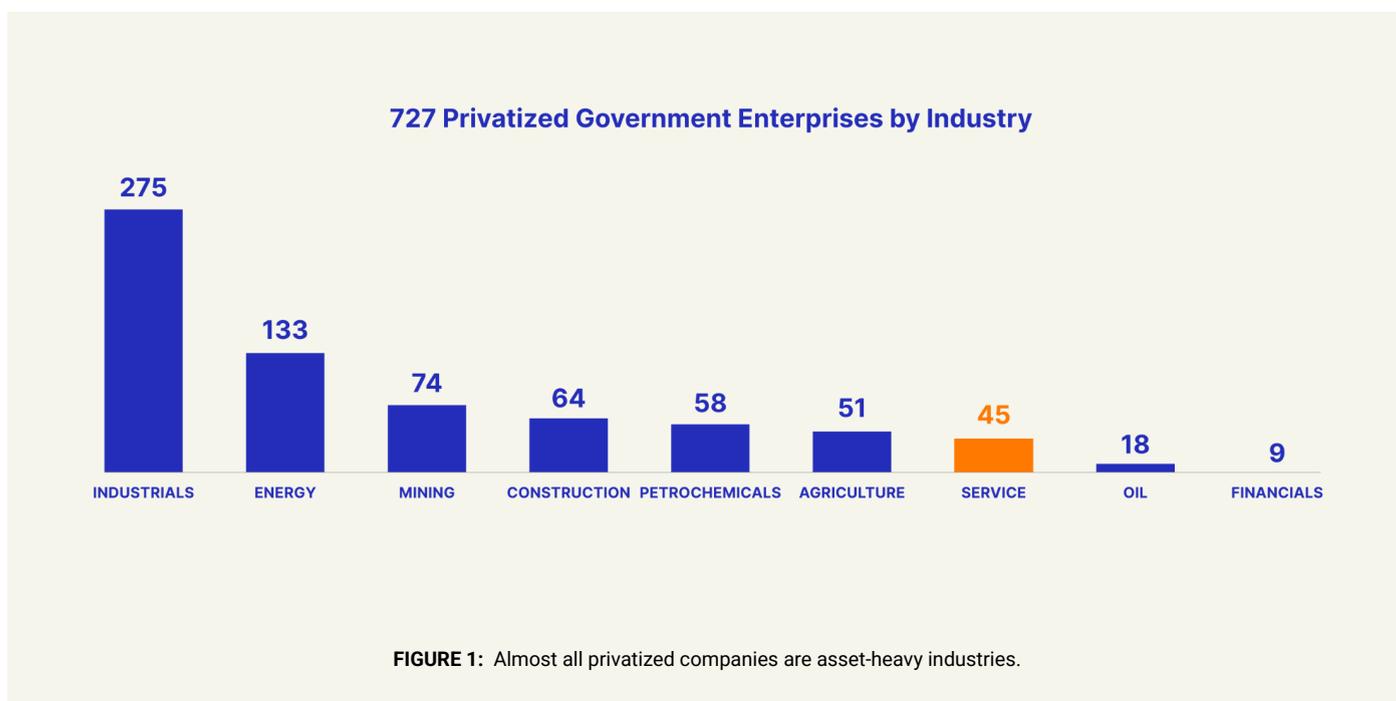
Vision” for economic, social, and cultural development. The executive order emphasized that the transfer of 80% of the shares in major companies aimed to promote economic development, achieve social justice, and reduce poverty in the country.

In the IR, the responsibility for privatization has been delegated to the Iranian Privatization Organization (IPO), established in accordance with Article 15 of the 3<sup>rd</sup> Economic, Social, and Cultural Development Plan, ratified in 2000. The IPO operates as a state-owned company under the auspices of the Ministry of Economic Affairs and Finance. It possesses legal personality and enjoys financial and administrative independence, with its head being the Deputy Minister of Economic Affairs and Finance. Members of the executive board are appointed based on the proposal of the general chairperson subject to the approval and decree of the Minister of Economic Affairs and Finance.

According to official statistics released by the IR, between 2001 and 2022 the collective nominal value of shares and assets transferred from the government and state-owned enterprises (SOEs) totaled approximately \$67 billion.<sup>4</sup> This figure was calculated by dividing the value of privatized assets by the average annual exchange rate of the US dollar and then summing the values for each year. When adjusted for inflation and converted to current US dollar values, the total value of privatized assets amounts to approximately \$88.5 billion.<sup>5</sup>

According to data from the IPO, the transferred assets were allocated as follows: 47.6% were listed on the stock exchange, 5.2% were sold through over-the-counter transactions, 47.1% were sold via auctions, and less than 1% were sold through private sales. Out of a total of 727 state-owned enterprises, 305 (42%) were transferred under management, 218 (30%) were transferred as small enterprises, and 204 (28%) were transferred under control.

According to statistics from the IR, out of the total 727 government enterprises transferred, the industry sector accounted for the largest share, with 275 companies (38%). The power sector followed, with 133 companies (18%), while the mining sector had 74 companies (10%). Other sectors included road and urban construction, with 64 companies (9%); petrochemicals, with 58 companies (8%); agriculture, with 51 companies (7%); services, with 45 companies (6%); oil, with 18 companies (3%); and banks and insurance, with 9 companies (1%).



<sup>4</sup> <https://www.ipo.ir/>

<sup>5</sup> Another way to calculate the amount of privatization is to calculate the value of privately structured companies separately. Of course, this method is associated with problems such as access to the value of each company and the accuracy of the statistics.

According to official statistics from 2022, the IR has 377 SOEs. Notably, a small group of prominent SOEs, including the Abadan Oil Refinery, Iran State Trading, Iran National Gas, Arak Oil Refinery, Sepah Bank, National Bank of Iran, and National Oil Iran, collectively accounted for over 50% of total expenses and more than 51% of total revenues.

In 2022, Iranian officials provided concerning insights into the country's privatization efforts. Hossein Ghorbanzadeh, the General Director of the Privatization Organization, revealed that only 30% of assets labeled as "privatized" over the past two decades had genuinely transitioned to the private sector. Moreover, none of the top 100 state-owned companies had been transferred to private ownership and control. Mohammadreza Pour-Ebrahimi, Chairman of the Economic Commission of the Parliament, presented further discouraging figures, stating that merely 20% of assets involved in privatization processes were actually acquired by private actors<sup>6</sup>. These findings suggest that, at best, less than 10% of privatizations have genuinely transitioned into private hands.<sup>7</sup>

A notable example of failed privatization in Iran is the Iran Telecommunication Company. In autumn 2009, the company was transferred to the Etemad Mobin Development Consortium, a group comprising companies affiliated with the Islamic Revolutionary Guard Corps (IRGC), the Executive Headquarters of Imam's Directive, and the Mehr Eghtesad Iranian Investment Company, which is linked to the Basij. Despite this transfer, the company has incurred substantial losses annually. According to a March 2024 report, the company suffered a loss of 1,500 billion tomans, equivalent to approximately 25 million USD. The company's current value stands at less than \$3 billion, significantly lower than its 2009 value of over \$7 billion.

## 2. PRIVATIZATION IN THE IR: LESSONS FROM FAILURES

Over the past forty years, state-owned enterprises (SOEs) in Iran have consumed a substantial portion of the country's total budget. According to official statistics, this amounts to approximately 70%<sup>8</sup> of the budget by 2021. However, the actual figure is likely higher than the reported amount. The primary reasons for the failure of privatization in the Islamic Republic of Iran are summarized in Fig 2.



<sup>6</sup>[farhikhtegandaily.com](https://farhikhtegandaily.com)

<sup>7</sup><https://ensani.ir>

<sup>8</sup><https://snn.ir/fa/news>



Lack of political will to properly implement privatization

**FIGURE 2:** The reason for failure of privatization in IR

## 2.1 The Role of the IRGC in Iran's Economy

The Islamic Revolutionary Guards Corps (IRGC) was established after the 1979 Islamic Revolution to safeguard Iran's Shi'ite clerical leadership and counterbalance the conventional armed forces. With an estimated 190,000 personnel across its army, navy, and air units, the IRGC has significantly expanded its economic influence since the 1980s Iran-Iraq War.<sup>9</sup>

The IRGC's economic ventures span various industries, including oil and gas projects, construction, and telecommunications, with values reaching billions of dollars. Its associated entities, such as foundations, camps, consortiums, and holdings, manage a vast network that forms an intricate empire.

The Khatam-al-Anbiya Construction Headquarters is a massive entity that has risen to prominence within Iran's Islamic Revolutionary Guards. Emerging in the late 1980s and early 1990s, following the era of Ayatollah Khomeini, this organization has become a financial powerhouse, wielding significant influence across Iran's financial and industrial sectors<sup>1</sup>.

As part of the regime's privatization efforts, the Khatam-al-Anbiya Construction Headquarters was involved in the extensive transfer of government-owned assets, resources, and entities to individuals aligned with the regime. Today, it plays a crucial role in executing the Supreme Leader's "Resistance Economy" and consolidating control over Iran's resources, industries, and infrastructure projects.

The organization's involvement in these activities has led to severe sanctions from successive U.S. administrations since 2007. In fact, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) added Khatam-al-Anbiya to the Specially Designated Nationals (SDN) list in 2007.

The military-industrial complex, including the IRGC, is widely believed to account for a substantial portion of the Iranian economy, estimated to be between 20% and 40%. A notable and controversial acquisition was the IRGC's strategic takeover of the Iran Telecommunication Company in 2009. This move was touted by Iranian newspapers as the largest transaction in the country's stock market history.

## 2.2 The Concept of Quasi-Governmental Institutions

Quasi-governmental institutions are entities managed by the government but operated with a private sector approach. Their management model often resembles that of SOEs transferred during privatization, maintaining close ties with the government. However, a key distinction lies in their origins: whereas companies transferred during privatization have a clear government link, quasi-governmental entities were initially created discreetly, with their management structure and activities obscured from public scrutiny.

<sup>9</sup> [Iran's Revolutionary Guards | Council on Foreign Relations](#) and <https://bod.org.uk/irgc/>

These entities were primarily established to circumvent sanctions and set up overseas branches for conducting oil sales, banking transactions, and commodity trading. However, the Islamic Republic's constitution does not provide a clear definition for quasi-state companies, distinguishing only between government and non-governmental public institutions. In Iran, such entities are often referred to by the Persian term "Khusulati," a blend of "private" and "government." This term describes enterprises that have been transferred to the private sector but retain government involvement or links to economic institutions like banks or social security organizations, effectively relying on government influence.

Although the exact number of quasi-governmental companies in Iran remains undisclosed, a 2016 report in the Hamshahri newspaper estimated that approximately 19,000 such entities operate within the country. These so-called khusulati companies receive backing from influential institutions, including Astan Quds Razavi, Mostazafan Foundation, Shahid Foundation, and notably, the IRGC. Economic analysts point out that despite not being part of the public budget, these entities often request concessions from the government. According to some observers, their reliance on government support and pursuit of concessions are defining characteristics of their operations.

### 3. OBJECTIVES AND METHODS OF PRIVATIZATION

Before we discuss methods of privatization, it is imperative to review how privatization was planned and executed in former communist countries to avoid the same pitfalls.

#### 3.1 Privatization In The Former Communist Countries

Even though privatization in the former communist countries were following pragmatic goals of increasing efficiency and generating competition, they also had an underlying message of systemic change: that everyone had a share and a say in the new democracy. However, in practice the average citizen could see the old elite getting richer at the expense of others.

In Poland, despite lack of confidence in success by the IMF and other international observers, a commission led by Leszek Balcerowicz finalized plans for market reforms in late 1989 and implemented them in early 1990. In these reforms—that became known as “shock therapy”—the national currency was devalued and fixed to the dollar, interest rate was sharply increased, corporate tax was reformed and implemented for all firms, most subsidies were removed, the tax system was overhauled and based on income tax and VAT, import restrictions and foreign trade monopolies were replaced by tariffs, and regulatory and accounting standards were improved to simplify ownership changes. Even though the economic surgery on a failing state-run economy cost the government the 1991 election and the output loss turned out to be much larger than expected, the reforms were economically successful and became an example for other countries such as Czechoslovakia and Baltic states. Contrary to what happened in these countries, Hungary, Croatia and Slovenia did not require shock therapy, as they already had some elements of a liberalized economy. Bulgaria, Albania, and the Former Yugoslav Republic of Macedonia also experienced quick reforms, but the initial progress contracted due to political backlash. [10]

The mass privatization program in Bulgaria was implemented after the Czech Republic and Poland, and therefore it was possible to plan regulatory bodies to prevent abuse of the system for personal gain. Companies subjected to mass privatization exhibited 20% higher asset productivity and 8% higher cost efficiency. In addition, companies with higher concentration of ownership performed substantially better than their peers. However, one of the obstacles in transferring the wealth to the public was dilution. Many companies diluted shares, and this prevented the public from getting a fair share of the national wealth. [11] Reviewing privatization in Bulgaria, one of the recommendations of the Institute for Market Economics is post-privatization control. The idea is that the government remains engaged and retains certain power to interfere in a transparent manner to ensure faster procedures, higher

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<sup>10</sup> 25 Years of Transition Post-Communist Europe and the IMF, Regional Economic Issues Special Report, OCT 2014

<sup>11</sup> Evaluation of Mass Privatization in Bulgaria, Jeffrey B Miller & Vladimir Lazarov, Comparative Economic Studies, 2011, 53, (621–646)

transparency, higher and faster revenues by removing all criteria except price, and encouragement of capital market development. [12]

Among all former communist countries, the case of Russia is very interesting for this study. This is not only because both Iran and Russia rely heavily on petrodollars, but also because both countries have a history of strong governments driving the economy. In addition, similar to KGB officers who had liberal access to the country's financial resources, IRGC and its military affiliates have unchecked financial power in Iran.

In 1990, Stanislav Shatalin came up with a plan for urgent reforms called the "500 Days Program". It proposed extensive sequenced reform as follows:

1. **FIRST 100 DAYS:** Privatization of state property
2. **NEXT 150 DAYS:** Price liberalization and removal of administrative controls
3. **NEXT 150 DAYS:** Market stabilization after the initial shock
4. **FINAL 100 DAYS:** Renewal of economic growth

However, President Gorbachev chose a gradual transition in fear of social uproar. The reaction to his reforms show he was worried about the wrong aspect of public opinion, as his gradual changes fell short of public expectations. After the collapse of the Soviet Union in 1991, Russian President Boris Yeltsin felt empowered to give a mandate for radical reforms to Acting Prime Minister Yegor Gaidar. The plan, led by Anatoly Chubais, was similar to the shock therapy in Poland and Czechoslovakia and its implementation started in 1992. [15]

The mass privatization program of 1992–94 included cash auctions, public tenders, and direct sales to domestic and foreign investors. However, the most important part of the plan was ownership transfer of more than 15,000 state-owned companies through distribution of vouchers to the public and to the labor force through employee ownership privileges. The underlying reason for direct distribution of shares was political, as it was intended to find greater social traction, neutralizing communist-dominated opposition to the plan. In addition, the plan appeared to be legitimate wealth distribution and could face less public uproar as these assets were not being sold to the mafia or the political elite.

Chubais and his associates insisted on freedom to transfer vouchers, as they wanted concentration of stocks in the medium term in order to improve corporate governance. However, the political concession of employee ownership privileges resulted in managers and workers owning two-third of the shares on average. Managers received the lion's share in this distribution. Not only was the main aim of equal distribution of wealth undermined by transfer of vouchers, but also managers and workers had no intention of selling their shares for fear of outside control. Additionally, outsiders had no appetite for buying stocks as there were fundamental problems in the market such as lack of defined property rights, unattractive corporate conditions, insiders' fear of outside ownership, and lack of supporting policies and institutions. The second wave of privatization started in 1995-1996 through a scheme called "loan-for-shares" in which Russian banks obtained shares in high potential firms as collateral for loans to the state that resulted in mass fraud and concentration of company ownership. [13 14]

This scheme allowed the rich to acquire vouchers at a miniscule price (10,000 rubles, equivalent to the price of a kilo of butter at the time) and the divide between the well-informed rich and poor grew. This is in direct contradiction to the ideals of homogeneous distribution of wealth. Lithuanian and Czech governments prohibited the voucher trade for this reason. Another problematic aspect of the plan was the so-called workers' rights imposed by the managers' lobby, which ended up concentrating power among managers due to the existing power structure in employee relations and the conditions tied to employee ownership rights.. In some cases (e.g. Gazprom) managers succeeded in being granted a special status where employees needed permission from managers

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<sup>12</sup> Evaluation of the post-privatization monitoring system in Bulgaria Georgi Stoev et al, 2000 Institute for Market Economics

<sup>13</sup> Nellis, John, Time to Rethink Privatization in Transition Economies?, Finance & Development Volume 36 Number 2, June 1999

<sup>14</sup> Hillary Appel, Voucher privatisation in Russia: structural consequences and mass response in the second period of reform, EUROPE-ASIA Studies, Vol. 49, No. 8, 1997, 1433-1449

in order to sell their shares to outsiders. In many cases managers coerced employees to give up their vouchers. This provision caused some to speculate whether the hidden intention of the government was that employees sell their shares to managers. [18, 19]

Overall, people suffered due to mismanagement in the ten-year privatization period; prices jumped 26 times in 1992, bankruptcy of banks resulted in the loss of life savings for many ordinary people, cumulative GDP decline was between 30% and 40%, and the economy did not return to growth mode until 1999. Russians blamed “privatization” as the sole cause of their economic hardship. [18, 19]

### 3.2 Government Possession

When governments intervene to take control of private sector assets, they employ various methods, each with distinct mechanisms and objectives. These methods include asset forfeiture, ownership, custodianship, receivership, and conservatorship. The choice among these methods depends on the specific circumstances and policy objectives (see Table 3).

**ASSET FORFEITURE** involves the government's legal seizure of assets connected to criminal activity. This process aims to disrupt and deter illegal conduct by depriving individuals or organizations of property used in or acquired through unlawful means. Forfeiture can be either criminal, requiring a conviction, or civil, which does not necessitate a criminal charge against the owner. While the seizure serves as a deterrent against criminal activities, if misused, they can lead to legal and political backlash.

**OWNERSHIP/NATIONALIZATION** occurs when the government takes full control of a private asset or industry, making it a publicly owned entity. This is usually done to protect the economy, ensure national security, or maintain essential services. In this case the government legally acquires the company or asset, sometimes through legislation or executive orders. The former owners may or may not receive compensation. The government runs the asset as a state-owned entity, either permanently or temporarily. Ideal cases in which to use government ownership are those where the failure of a business or industry would cause severe economic disruption, the industry is strategic or essential, or private owners have repeatedly mismanaged resources, requiring state intervention to stabilize operations. If misused, this tool can be seen as government overreach, discouraging private investment and/or turning enterprises into bureaucratic and inefficient establishments.

**CUSTODIANSHIP** is when the government temporarily takes control of an asset to protect or manage it, but without claiming ownership. In this case, the government acts as a steward rather than an owner. The original owners may still have legal rights but are unable to exercise control for a period. Custodianship is usually temporary and has a defined exit strategy. It is best to use custodianship when a company or asset needs protection during legal disputes or crises to safeguard the asset rather than permanent take over, which means the government wants to avoid full nationalization but still ensure stability. If prolonged or initiated without an exit strategy, custodianship can create uncertainty and harm business confidence.

**RECEIVERSHIP** is when a court appoints a neutral third party (a receiver) to manage a failing company's assets, typically during insolvency proceedings. In this case, a receiver takes temporary control of a company's assets to maximize value for creditors. The company may be restructured, sold, or liquidated depending on financial viability. Receivership is supervised by a court or a government body. A company is financially insolvent when it cannot meet its debt obligations. It is best to use receivership when creditors need an independent party to recover as much value as possible. So, the goal is to protect creditors' interests, rather than the company itself. The main challenges of employing receivership are that it often leads to liquidation, meaning job losses and asset sales as the company's management loses control, which can make restructuring difficult. In addition, the process can be slow and costly, especially in large corporate cases.

**CONSERVATORSHIP** is when the government takes temporary control of a financially distressed but viable company to stabilize it and return it to private ownership. In this case, a conservator replaces the company's management but does not take full ownership. The company continues operating under government supervision. Once financial stability is restored, the company is

returned to private control. It is best to use conservatorship when the company is in trouble but can be saved with proper oversight. The goal is to stabilize the entity and restore public confidence.

In the case of post-IR Iran, the preferred method will be receivership. This is important in order not to burden the government with bad debt and excessive liabilities, while providing the government with the power to prepare these enterprises for privatization. The only exceptions are strategic assets—such as oil and gas related enterprises and assets related to national security, such as military related enterprises—that will be nationalized. In addition, illegally conveyed assets that do not create any economic value must be forfeited by the government to either return to rightful owners or to be sold.

### 3.3 Managing Privatization

The success of privatization largely depends on effective management, equipped with the necessary skills and expertise to spearhead and execute the process. Given the diverse nature of assets included in privatization transactions, various stakeholders with vested interests are involved. To manage privatization efforts, diverse types of privatization bodies have been established. To address issues of varying stakeholders, privatization agencies are typically endowed with a clear mandate, autonomy, significant authority, minimal bureaucracy, and a skilled workforce. This model aims to enhance efficiency, minimize conflicts of interest, and ensure transparency throughout the privatization process.

As privatization activities decline, several countries have repurpose their privatization agencies to manage remaining SOEs. For instance, in Israel, the state ownership entity oversees privatization efforts. Other countries have centralized the privatization process within the Ministry of Finance or, in some cases, line ministries. As privatization becomes less common, governments are increasingly adopting short-term approaches.<sup>15</sup>

The type of privatization agency at the institutional level depends on the program's objectives, size, and the country's specific conditions. Typically, it involves a combination of entities, and most countries have adopted a centralized structure incorporating various types of organizations (see Table 1).

The success of privatization strategies and methods hinges on factors such as asset type and market conditions. Establishing appropriate institutions and regulatory frameworks facilitates smoother and more efficient privatization. Furthermore, maintaining macroeconomic stability, fiscal responsibility, and good governance is crucial for attracting and retaining investor confidence. The primary consideration for selecting optimal privatization techniques is achieving efficiency gains. Successful privatization also depends on addressing transparency issues and addressing the legitimate concerns of stakeholders. The major privatization methods are outlined below, and their advantages and disadvantages are summarized in Table 2.

- Restitution means returning the state assets to their lawful owners if the previous acquisition was unjust.
- Direct sales and equity offerings
- Management-employee buyouts mean donating or selling the related enterprise shares to managers and employees.
- Mass privatization means the government sells or gives away vouchers (for free or at a nominal fee) which can be utilized for purchasing shares in enterprises.

Sometimes, companies require restructuring before privatization, which typically involves five main dimensions:

#### 1. Restructuring the Strategic Structure

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<sup>15</sup>For example, in Argentina, individual ministries typically handle privatization under their control. Denmark lacks a formal administrative framework, and each privatization is conducted through an established process, with involvement from the Ministry of Finance. In France, the government shareholding agency is responsible for implementing privatization, while in Hungary, the Hungarian National Asset Management agency takes charge. Kazakhstan designates the Ministry of Finance as the responsible body, Türkiye relies on the Privatization Administration, and in the UK, the UK Government Investment Agency manages the responsibility for large and complex privatization processes.

2. Restructuring the Operational Structure
3. Restructuring the Financial Structure
4. Restructuring the Legal and Regulatory Framework
5. Restructuring the Ownership Structure

#### 4. THE CRISES, SOLUTIONS, AND A PLAN FOR PRIVATIZATION

The primary goals of privatization in a typical scenario involve enhancing efficiency, generating revenue, and fostering the development of capital markets. However, the political significance of this tool should not be underestimated. When a country is in transition, dismantling the remaining institutional power of the previous regime—both morally and economically—takes precedence over economic efficiency to ensure lasting peace and prosperity. Many former Soviet Union countries experienced the resurgence of former communist bureaucrats, who leveraged their access to resources and information to acquire privatized assets through illegitimate means or seize power under a new guise, thereby undermining the regime change.

Post-Islamic Republic privatization in Iran will be a complex process that goes beyond just achieving economic efficiency or value. It will also be a means to demonstrate the dominance of the new order and dismantle the old regime. To achieve this, the priority in privatization is given to assets that can achieve the highest economic value improvement while also demoralizing remaining IR loyalists and minimizing disruption to the job market and ordinary people's lives.

Assets are ranked based on three key criteria:

- **ECONOMIC VALUE IMPROVEMENT:** Assets that can achieve the highest economic value improvement through privatization are prioritized.
- **DEMORALIZING IR LOYALISTS:** Assets that can maximize damage to the morale of remaining IR loyalists are given priority.
- **MINIMIZING DISRUPTION:** Assets that can be privatized with minimal disruption to the job market and ordinary people's lives are preferred.

For instance, selling Khomeini's assets, such as his home, shrine, or personal belongings, while they have limited economic value, demoralizes IR loyalists and does not create any economic disruption.

Currently, five major institutions control Iran's economy: Astan Quds Razavi, Mostazafan Foundation, Setad-e Ejraei-e Farman-Emam, Komiteh-e-Emtedad, and the IRGC. The main challenge lies in determining the course of action for these five structurally flawed, inefficient, and non-transparent entities. A comprehensive privatization plan after the Islamic Republic requires recognizing that not all institutions should undergo privatization. Some entities, including the Mostazafan Foundation, Setad-e Ejraei-e Farman-Emam (EIKO), Komiteh-e-Emtedad, and the IRGC, should be entirely dissolved rather than privatized.

In other words, the holdings of these institutions will be dissolved, but their subsidiary companies can continue to operate in various fields. It is essential to note that the accounts of these companies will not be blocked, allowing them to continue their activities.

In a post-Islamic Republic Iran, the existence of the IRGC is unnecessary, as the country already has a national army. The IRGC is a repressive, corrupt, and disruptive organization. Its military function can be absorbed by the national army.

Institutions like the Mostazafan Foundation and EIKO, initially established to seize property from the Pahlavi family and political prisoners, have no place in a democratic Iran and should be fully abolished.

The Komiteh-e-Emtehad was formed after the 1979 revolution to financially support poor families. Its role can be replaced with economic mechanisms such as unemployment benefits, health insurance and pensions, and direct financial help to support those with poor living conditions.

Astan Quds Razavi was originally formed as a religious organization to manage Imam Reza shrine. However, using its political power after the 1979 revolution, it grew to a behemoth conglomerate. Astan Quds should undergo dissolution in its current form except for its original intended function as a religious institution.

It is essential to first decide who should be responsible for overseeing the privatization process. Among the various methods listed in Table 1 for implementing privatization in Iran after the fall of the IR, we recommend establishing an independent agency (referred to as the “Privatization Implementation Committee”) under the Ministry of Economic Affairs, which offers several advantages during Iran’s transition phase, including:

- ✓ Eliminating the necessity to create a new ministry.
- ✓ Avoiding the need to dissolve a ministry once the privatization process concludes.
- ✓ Streamlining and expediting the privatization procedure while sidestepping unnecessary bureaucracy.
- ✓ Granting the Minister of Economic Affairs swift decision-making powers to alter the committee’s composition in the event of inefficiencies or other issues.
- ✓ Accessing the expertise of foreign professionals, should the committee require external insights or experiences.

The initial challenge in proposing a privatization plan for post-Islamic Republic Iran lies in the lack of a comprehensive list detailing the subsidiaries of these five institutions.

**CHALLENGES IN COMPILING THE LIST OF SOES:** The Iranian economy, characterized by a lack of transparency under the IR, presents significant challenges in accurately assessing the number of assets of state-owned and quasi-state-owned enterprises.

**SHORT-TERM SOLUTION:** To address this issue promptly, a committee overseen by the Ministry of Economic Affairs can be established to spearhead privatization efforts in Iran. Among its initial priorities, particularly within the first 90 days, is the comprehensive compilation of a detailed inventory of public and quasi-governmental entities within the IR. This comprehensive list will catalog the assets and monetary holdings of these institutions, categorizing them based on factors such as scale, alignment with national interests, and the imperative nature of their ongoing operations.

**LONG-TERM SOLUTION:** This committee can compile a list of government and quasi-governmental entities affiliated with the IR that operate internationally. These companies have been utilized by the IR for various objectives, including evading sanctions and engaging in illicit financial activities.

To ensure a successful privatization experience, it is necessary to have the support of the Iranian people. In post-Islamic Republic Iran, we propose the following privatization plan steps:

#### **A. SPECIAL ACCOUNTANTS ON BEHALF OF THE PRIVATIZATION IMPLEMENTATION COMMITTEE**

One method of implementing privatization is to create a blocked account, where all funds from state-owned companies are held. Although this approach has been used in numerous countries, it is not recommended for Iran following the fall of the Islamic Republic. This is due to the large number of state-owned companies in Iran, making it extremely challenging to audit them through a single bank account. (The official statistics reported by the government stated that this number was supposed to be around 3,000.)

Consequently, we propose that an accountant be appointed by the Privatization Implementation Committee for each state-owned enterprise. Accountants will supervise all financial affairs of the company, and no financial transaction will occur without their approval. To ensure speed of appointments, quality of work and enforceable accountability, the government will outsource accounting to large multinational accounting firms, while appointing one of the accounting firms exclusively as the second layer of oversight to prevent corruption.

## **B. RETURNING UNLAWFULLY ACQUIRED PROPERTY BY THESE INSTITUTIONS**

The restoration of confiscated properties can be achieved in the short term. Since the 1979 Islamic Revolution, the assets of Baha'is, minorities, former officials linked to the Shah's regime, artists, and athletes who were opposed to the IR have been subject to confiscation. These seized assets include residences, agricultural land, and other valuable possessions. Returning these wrongfully seized properties to their rightful owners is of utmost importance. The proposed method for privatization involves restitution through returning nationalized properties to their previous owners. Although this approach does not generate revenue, it eliminates the need for additional funds to cover losses by liquidating inefficient companies and returning properties to their original owners. Furthermore, this approach fosters trust among the population whose properties were unlawfully confiscated, demonstrating a commitment to changing socio-economic relations and uprooting the ruling class. Implementation should be overseen by legal and judicial institutions.

Certain properties have individual claimants but returning them poses challenges. For example, properties confiscated by government institutions, developed, and then sold to multiple new owners cannot be returned to the initial owner. In such cases, compensation can be provided to the original or former owners, equivalent to the property's value adjusted for inflation. These assets are held by institutions such as Setad-e Ejraei-e Farman-e Emam, Mostazafan Foundation, and Astan Quds Razavi, primarily as endowment institutions. Individuals whose property was confiscated and cannot be directly returned may seek compensation by suing the government within a specified timeframe (e.g., 12 months) following the fall of the IR. These individuals will file complaints against the government, rather than the companies, and special courts will be established to address these cases.

## **C. RESTRUCTURING**

This phase is essential for eventual privatization and must be implemented over the long term. Initially, former managers and employees involved in corruption or rent-seeking practices should be terminated and referred to the judicial system. Subsequently, restructuring the companies involves several key steps:

- Legal modifications
- Closure of inefficient entities
- Division of companies
- Scrutiny and settlement of debts using frozen assets when necessary
- Staff downsizing
- Redefining goals and responsibilities
- Segregating competitive and non-competitive activities
- Identifying collateral assets

The Privatization Implementation Committee should oversee the continuous, goal-oriented, and economically justified restructuring of state-owned enterprises (SOEs).

## 5. PRIVATIZATION

It is recommended that privatization commence with small, competitive businesses in sectors like retail, food, construction, and hotels. This approach requires less pre-sale restructuring, poses lower political risk, alleviates concerns about foreign ownership, and yields rapid success<sup>16</sup>. This provides a tangible and inspiring example for society. Moreover, focusing on smaller enterprises initially can pave the way for privatizing larger institutions. International best practices support starting with smaller companies and progressively moving to larger institutions.

One exception, as previously discussed, is the high-profile privatization of assets. These prominent public sales convey a political message and garner public support. To maintain public engagement, the privatization of these assets should commence early and proceed at a steady pace.

**SUGGESTED METHOD:** Combination of voucher distribution (majority) and equity offering (minority). The idea is to move the SOEs to private sector ownership and management using market valuation, in a transparent manner. However, the market might discount the value of the assets due to system transition and poor economic state. To ensure public participation and retain the value to the public, a minority ownership in privatized companies will be placed in a diversified portfolio and shared equally with all citizens.

Listed below are the short term benefits and problems with this method:

### **BENEFITS:**

- Companies are divested at a good pace and market price
- The government does not get involved in these companies for years
- The new management will take over the management of the company
- By handing over these companies, the government actually becomes smaller and more efficient.
- By privatizing these companies, considerable income will be provided to the government. This is a very important issue because we predict that the new political system in Iran after the Islamic Republic will suffer from a lack of financial resources in the first two to three years.
- By dismantling the old corporate structures and ownerships, the new order sends a direct signal of establishing itself.
- The general public can see the fruits of change as they become equity owners in these companies.

**DISADVANTAGES AND WARNINGS:** There is a risk that individuals who held financial and political power during the Islamic Republic, and may have been involved in corrupt activities, could assume control of privatized companies.

To mitigate this risk, transparency and anti-corruption measures must be carefully implemented during privatization. The backgrounds of these individuals should be thoroughly examined. Compiling a comprehensive list of responsible officials in the Islamic Republic and their dependents is essential and should be made available prior to privatization. Creating a blocklist of these individuals can prevent them from acquiring companies.

Monitoring buyers is crucial, as it prevents the formation of an oligarchy, as seen in Russia.

Given the predicted conditions in the country for the first two to three years following the collapse of the Islamic Republic, this privatization method is deemed the most desirable despite the associated risks.

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<sup>16</sup> Emphasizing speed was crucial to promptly utilize assets more productively and reduce the government's burden.

Additionally, voucher recipients will face a 1-3 year lockout period. Stocks will gradually become tradable on the stock exchange, preventing fire sales or forced sales of vouchers similar to what was seen in Russia after the Soviet Union's collapse.<sup>17</sup>

**AFTER THE FIRST THREE YEARS; PRIVATIZATION IN LARGER COMPANIES PRIVATIZATION METHOD:** Combination of voucher distribution (minority) and equity offering (majority). As the state of the economy improves, the government can sell these assets closer to their intrinsic values, while a minority share will be distributed as vouchers to keep the public engaged.

**ADVANTAGES:**

- Less corruption
- More transparency
- Increasing public participation
- Poverty alleviation
- The simplicity of the method
- People are already familiar with this method and there is no need to explain this method and concept

**DISADVANTAGES:** Involvement of a part of the country's bureaucratic system, however, this experience already exists under the IR and is, to a certain extent, unavoidable.

To ensure national interests, the government should retain substantial shares and/or voting rights in strategic companies, such as those in the oil, gas, petrochemical, telecommunication, mining, and utilities sectors. This approach is similar to that taken by the German government and large German companies following the fall of the Nazi regime. However, the committee may consider the size and importance of the privatized company when making decisions. Given Iran's historical public sector dominance, comprehensive and successful privatization in the post-Islamic Republic era is expected to take at least 3-4 years<sup>18</sup>. However, this timeline is contingent upon various political and international factors,<sup>19</sup> including:

- Political stability
- Evolution of political and economic relations with foreign nations
- Success of initiatives promoting a free market culture

**TRANSPARENCY:** Transparency is a critical concern in privatization. To address this, we recommend establishing independent regulatory bodies, such as specialized commissions, to oversee the privatization process. Engaging foreign and domestic technical consultants can also play a crucial role in enhancing transparency. Implementing competitive bidding and other measures is essential to prevent the concentration of assets among a small elite. For instance, the Swedish government has established

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<sup>17</sup> Balancing privatization requires aligning economic efficiency with public welfare and political stability. While privatization can improve efficiency, reduce fiscal burdens, and foster competition, it also risks exacerbating inequalities and reducing accountability. Governments must carefully evaluate sectors for privatization, establish strong regulatory frameworks, and engage stakeholders to ensure fair competition and accessibility. Transparency and gradual implementation are key to mitigating public backlash and ensuring long-term success. By prioritizing equity and public trust, privatization can deliver sustainable benefits without compromising essential services or political stability.

<sup>18</sup> Although the transition period in the majority of countries is often considered to have commenced in the early 1990s, in many successful countries, a substantial amount of privatization was effectively completed within a relatively brief period of 3-4 years.

<sup>19</sup> By engaging global institutions such as World Bank and International Monetary Fund (IMF), and leveraging foreign expertise, Iran can navigate the complexities of privatization more effectively. Country-specific collaborations offer valuable insights and expertise tailored to Iran's needs in privatization. For example, South Korea can provide guidance in privatizing telecom and technology sectors, leveraging its experience in market-driven reforms. Israel's expertise in water management and agricultural technology can support Iran in addressing resource challenges through privatization. China's gradual approach to privatization and experience with large-scale infrastructure projects like highways and railways offers a model for Iran to follow. Additionally, Turkey's success in privatizing airports through public-private partnerships presents a relevant case for Iran's transport sector. Each of these countries brings specialized knowledge that can be adapted to Iran's unique political, economic, and cultural context. However, it is essential to contextualize these collaborations, ensuring they align with national priorities, protect public interests, and contribute to sustainable development.

stringent requirements for purchasers of state assets, emphasizing ethical conduct, in line with its international obligations.

**NEGATIVE EFFECT ON EMPLOYEES:** As previously mentioned, public sales methods may harm employees. To address potential adverse impacts on workers, including downsizing and changes in salary levels, the following solutions can be implemented<sup>20</sup>:

- ✓ **GOVERNMENT SUPPORT FOR PASSIVE LABOR MARKET POLICIES:** Providing unemployment benefits can support workers during periods of joblessness. These benefits may include early retirement, preferential allocation of shares, or unemployment insurance plans. By offering financial assistance, opposition to privatization can be mitigated. Funding for these measures can be sourced from assets in blocked accounts if necessary.
- ✓ **GOVERNMENT SUPPORT FOR ACTIVE LABOR MARKET POLICIES:** Retraining and equipping workers with new skills can facilitate their transition into new employment opportunities.
- ✓ **FOSTERING JOB CREATION IN THE PRIVATE SECTOR:** Achieving this goal requires implementing sound macroeconomic and structural policies over the long term.

## 6. OLIGARCHY

Oligarchs are a small, powerful group of wealthy individuals who exert significant control and influence over industries, sectors, or societies. They may use their resources to influence political decisions. Oligarchs maintain their dominance through tactics such as divide-and-conquer strategies or manipulation of the political system.

To prevent oligarchic control, it is essential to implement:

- Robust anti-corruption measures
- Strong anti-monopoly regulations
- An independent judiciary system
- Initiatives to foster competition
- Protections ensuring open market access

A well-designed tax system can also help prevent the emergence or consolidation of oligarchies by:

- Redistributing wealth
- Ensuring transparency and accountability
- Funding public services

## 7. OIL SECTOR

Iran's Ministry of Oil is a vital source of revenue for the nation. Privatization and optimization of Iran's oil and gas industry in a future free society require a strategic approach with short-term, medium-term, and long-term measures.

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<sup>20</sup> Gupta, M. S., Ma, M. H., & Schiller, M. C. (1999). *Privatization, social impact, and social safety nets*. International Monetary Fund.

**SHORT-TERM:** The initial priority is to identify and remove non-specialist staff associated with the IRGC and the IR within the ministry. Within the first year, efforts should focus on:

- Maintaining and stabilizing current levels of production, export, and domestic energy chain supply
- Identifying and recovering petro-refining sectors from governmental or quasi-governmental control
- Optimizing and updating these departments without closure
- Attracting foreign companies and operators through short-term contracts to repair and maintain infrastructure

**MEDIUM-TERM:** Two fundamental approaches are:

- A.** Repairing the energy consumption chain and cultural aspects within the country by:
- ✓ Establishing new power plants and optimizing existing ones
  - ✓ Creating a conducive environment for foreign investors in new energy projects
  - ✓ Repairing the road transport fleet
  - ✓ Eliminating subsidies on energy carriers
  - ✓ Redistributing subsidies through poverty elimination cash incentives or equity voucher distribution
- B.** Shifting from exporting crude oil to exporting petrochemicals and refining products, as successfully implemented by entities like Saudi Aramco, to increase profitability.

## 8. POST-PRIVATIZATION

Following the fall of the IR, some individuals may attempt to disrupt privatization mechanisms to secure their interests. To address this, the following post-privatization approaches are recommended:

- **PERFORMANCE EVALUATION:** Assessing privatized entities against predefined benchmarks and goals to ensure they meet expected standards of efficiency and productivity.
- **POLICY EVALUATION:** Tracking policy performance against predefined targets and adjusting the policies.
- **REGULATORY COMPLIANCE:** Ensuring compliance with regulations and agreements post-privatization, safeguarding against any violations or deviations.
- **CONSUMER PROTECTION:** Monitoring to protect consumers' interests, such as pricing, service quality, and availability, especially in sectors like utilities or essential services.
- **STAKEHOLDER ENGAGEMENT:** Continuously involving relevant stakeholders, including employees, communities, and shareholders, to maintain transparency and address concerns.
- **FINANCIAL OVERSIGHT:** Monitoring financial health, ensuring responsible fiscal management, and preventing adverse financial situations.
- **ADAPTABILITY TO CHANGING CONDITIONS:** Being prepared to adjust strategies or structures if market conditions or other external factors change significantly.
- **LONG-TERM IMPACT ASSESSMENT:** Assessing the long-term effects of privatization on the economy, industry, and society to ensure positive outcomes and address any unforeseen consequences.

- **COMPLIANCE VERIFICATION:** Verifying whether executed business plans align with proposed strategies and goals.
- **NON-COMPLIANCE ASSESSMENT:** Conducting a thorough examination of current plans in cases where they deviate from the proposed framework or goals.

Type of Approach	Conditions	Tasks	Example of Countries that Applied it
<b>Privatization Ministry</b>	Eastern European countries that have large programs and SOE sectors	<ul style="list-style-type: none"> <li>• Controlling the program</li> <li>• Making key decisions</li> <li>• Providing political cover</li> </ul>	Russia, Hungary, Poland, South Korea
<b>Privatization units in</b>	A restricted number of high-profile and large enterprises to be privatized	<ul style="list-style-type: none"> <li>• Helping the ministry</li> <li>• To lead the program in a hands-on way</li> <li>• To restrict the contribution of vested interests</li> <li>• To control funding as well as to identify and resolve budgetary issues quickly</li> </ul>	Mexico, India, New Zealand, Poland, the UK, Kazakhstan, South Korea
<b>Stand-alone Privatization Agencies</b>	—	<ul style="list-style-type: none"> <li>• Reporting to key decision-makers</li> <li>• Controlling the process</li> <li>• Implementing the program on time</li> <li>• Promoting independence</li> <li>• Ensuring expertise in executing the process</li> </ul>	Kyrgyzstan, Serbia, Poland, Türkiye
<b>State Ownership Entities</b>	Smaller Remaining SOE segments	<ul style="list-style-type: none"> <li>• Oversee and govern SOEs</li> <li>• Slowing down the process due to the lack of privatization skills of staff</li> </ul>	France, Italy, Hungary, Lithuania

**TABLE 1:** Different approaches of centralized structures for privatization agencies

Method	Advantages	Disadvantages	Comment
<b>Restitution</b>	<ul style="list-style-type: none"> <li>• Redress the past injustice,</li> <li>• Restore public confidence in the legal implementation of assets</li> </ul>	<ul style="list-style-type: none"> <li>• Merely selective and unsatisfactory</li> <li>• Complication of some claims can prolong the process unnecessarily</li> </ul>	<ul style="list-style-type: none"> <li>• Moral ground</li> <li>• Not a prominent method in transition economies (Except, Estonia &amp; Czech Republic)</li> </ul>
<b>Voucher distribution</b>	<ul style="list-style-type: none"> <li>• Fair and equitable wealth distribution</li> <li>• Irreversible transfer of illegitimate assets</li> <li>• Creating a public capital for the new order</li> </ul>	<ul style="list-style-type: none"> <li>• The early and fire sale of the vouchers can transfer the wealth to remnants of the previous regime</li> </ul>	<ul style="list-style-type: none"> <li>• To avoid the pitfalls, there should be capital restrictions of early sales of the shares.</li> </ul>
<b>Direct sales and equity offerings</b>	<ul style="list-style-type: none"> <li>• Revenue earning</li> <li>• Introducing outside expertise</li> <li>• Inherent flexibility</li> <li>• Ensuring the purchase of state assets by the highest-value users</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of domestic capital</li> <li>• Weak interests of foreign investors</li> <li>• Insignificant quality of information on enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Most country's intention, at the beginning of the transition</li> <li>• Following remarkable examples such as Chile and the UK</li> <li>• Not a successful method for most countries (Except Estonia and Hungary)</li> </ul>
<b>Management-employee buyouts</b>	<ul style="list-style-type: none"> <li>• Feasibility</li> <li>• Political popularity</li> <li>• Faster</li> <li>• Easy implementation</li> <li>• Efficiency due to aligning the encouragement of owners and workers</li> </ul>	<ul style="list-style-type: none"> <li>• Inequitable (employee obtains most benefits compared to the population)</li> <li>• Forced equity fire sale (e.g. Russia) and wealth accumulation by corrupt management</li> <li>• Granting excessive wage boosting</li> <li>• Keep above-optimal employment</li> <li>• Undertake insufficient investment</li> </ul>	<ul style="list-style-type: none"> <li>• Popular privatization method in many transition countries including, Macedonia, Romania, Croatia, Poland, Slovenia, the Slovak Republic, Russia</li> </ul>
<b>Mass privatization</b>	<ul style="list-style-type: none"> <li>• Overcoming the shortage of domestic assets</li> <li>• Politically popular due to 1) Addressing the understood unfairness of other methods and 2) Avoiding the charges of selling domestic assets to foreigners</li> <li>• More transparent and fair compared to other methods</li> <li>• Quick and simple (widespread participation of the public and higher understanding of reform)</li> <li>• Help in developing the capital market institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Possibility for dispersed ownership structure with negative influence on corporate government and more difficult access to new sources of money</li> <li>• Weak legal framework and defined property rights</li> <li>• Grounds for revenue and inflation</li> <li>• Lack of firm information leads to overvaluation and undervaluation of well-known and less-known firms, respectively</li> </ul>	<ul style="list-style-type: none"> <li>• Popular method of privatization</li> <li>• The most remarkable example is the Czech Republic</li> </ul>

**TABLE 2:** The advantages and disadvantages of the main government repossession methods

Method	Definition	Purpose	Legal Basis	Common Use Cases	Key Characteristics
<b>Asset Forfeiture</b>	Government seizes property suspected of being involved in illegal activities.	Remove proceeds of crime, deter criminal activity.	Civil or criminal forfeiture laws (e.g., RICO Act, Drug Enforcement Laws).	Drug trafficking, fraud, money laundering cases.	Ownership permanently transferred to the government, no compensation required.
<b>Ownership</b>	Government fully takes over ownership of an entity or asset.	National security, economic stability, emergency intervention.	Legislative action, executive order, eminent domain.	Nationalizing industries, emergency bailouts (e.g., GM during the 2008 crisis).	Government assumes full control and decision-making power.
<b>Custodianship</b>	Government holds assets temporarily without claiming full ownership.	Protect assets during legal disputes or security concerns.	Court rulings, regulatory authority.	Protecting foreign-owned assets during wartime, managing estates.	Temporary control, typically returned or reassigned after resolution.
<b>Receivership</b>	Court-appointed receiver manages a distressed business or asset.	Stabilize failing entities, protect creditors.	Bankruptcy laws, regulatory enforcement.	Insolvent businesses, fraud cases, corporate restructuring (e.g., FDIC for failed banks).	Neutral third party manages operations; goal is to restore financial health or liquidate assets.
<b>Conservatorship</b>	Government steps in to manage a financially troubled institution without taking ownership.	Maintain market stability, prevent systemic collapse.	Regulatory framework (e.g., FHFA for housing finance).	Fannie Mae & Freddie Mac (2008 financial crisis).	Government oversees but does not own; entity remains operational under supervision.

**TABLE 3.** The advantages and disadvantages of the main government repossession methods

\*This Space is Left Intentionally Blank\*