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SOE Policy and the Loss of Economic Sovereignty: The Case of Ireland

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Abstract

The global financial crisis that erupted in 2008 has had enormous implications for the composition of the State-Owned Enterprise (SOE) sector in many advanced economies around the world. The crisis resulted in the nationalisation of financial institutions in a number of economies and many countries are currently pursuing policies of privatisation to raise much needed revenues to tackle high levels of indebtedness. This paper describes the changes to the composition of the Irish SOE sector since the onset of the economic crisis in 2008 as well as its impact on the stated plans for the future of the SOE sector. The paper focuses on the question of privatisation and examines the conditionality with regard to the sale of state assets contained in the bailout agreement signed between the Irish government and the Troika. It highlights the uncertainty over the precise details of the conditionality with regard to privatisation in Ireland and compares this with the agreements forged between the Troika and the governments of Greece and Portugal where there has been a far greater degree of conditionality attached to SOE divestitures.

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Introduction

The global financial crisis (GFC) has had an enormous impact of the nature, composition and functions of the SOE sector in many countries. Whereas the initial impact of the crisis was the entry (or re-entry) of the state into sectors such as banking and the motor industry this has been followed by a huge increase in privatisation activity. In some cases, divestitures were reversals of earlier quick-fix privatisations. In other cases however, the surge in privatisation activity has been dictated by fiscal pressures and the need for governments to raise revenues in the face of mounting debts.

In Ireland, the deterioration in economic conditions since 2008 has been dramatic. Real GNP and real GDP have fallen by 14.3 and 9.6 per cent respectively between 2007 and 2011. Over the same period the rate of unemployment has risen from 4.5 to 14.2 per cent. The fast deteriorating fiscal position of the exchequer culminated in Ireland requiring assistance from the IMF/ECB/European Commission. The events since late 2008 have brought about a mix of responses from Irish governments. These have included nationalisation, new SOE formation and plans for privatisation with these changes having a significant impact on the size, composition and governance of the SOE sector to date. Whereas the initial post-crisis responses in relation to the SOE sector were decided on independently, the financial support from the Troika involves conditionality that has exerted pressure on the Irish government to implement a significant degree of privatisation.

This paper addresses a number of issues around Irish SOE policy in the context of the economic recession and the conditions attached to financial support from the Troika. More specifically the paper:

- Describes the changes to the composition of the SOE sector since the onset of the economic crisis.
- Examines how stated plans for the future of the SOE sector have been altered as the impact of the international and domestic economic crisis become more and more manifest since late 2008.

- Focuses on the question of privatisation and examines the conditionality with regard to the sale of state assets contained in the memoranda of understanding between the Irish government and the Troika.
- Highlights the uncertainty over the precise details of the conditionality with regard to privatisation in Ireland and compares this with the agreements forged between the Troika and the governments of Greece and Portugal.
- Discusses the future of the SOE sector and privatisation in Ireland in the context of the above.

Before the Crisis: State Owned Enterprise and Privatisation in Ireland

SOE Formation

Although events around the Irish SOE sector since the onset of the GFC command the focus of this paper, these can be usefully examined in the historical context of SOE development and subsequent privatisation privatisations.

The scheme to generate electricity from the river Shannon during the 1920s marked the beginning of the Electricity Supply Board (ESB), the first major commercial public enterprise development in the fledgling Irish state. The scheme was initiated amid enormous controversy, with objections based on issues ranging from the socialist dimension of nationalising the ninety existing private electrical utilities, to the fact that the contractor (Siemens) was German. Ironically, the champion of the scheme in government was the Minister for Industry and Commerce, Patrick McGilligan, who was noted for his conservatism and opposition to interventionist policies. In fact, McGilligan's stance provides a revealing insight into the motivations for state control of the scheme. He originally travelled extensively around the USA to canvass companies to run the scheme, but concluded that electricity was too important to be controlled by interests whose only objective was the maximisation of profit (Sweeney, 1990).

In 1925, the *Shannon Electricity Bill* which legislated for the provision of electricity by the state was published and the state-owned ESB was established through the 1927 *Electricity (Supply) Act*. Once the Shannon scheme commenced in 1925, it was used to play a role in government policy to control wages and working conditions. This was detailed by Manning and McDowell (1984) who explain how McGilligan not only succeeded in extracting cheap labour, but placed strict limits on the profits accrued by the main contractor Siemens.

After this precedent was set, successive governments used public enterprise as an instrument for securing the economic development of the newly independent state. The specific rationale varied from case to case, but the establishment of SOEs was primarily driven by the necessity for the extraordinary needs of the new state to be satisfied through state efforts. The first transfer of power in the history of the Free State followed the 1932 general election, when Eamonn de Valera's first Fianna Fáil government embarked on the ushering in of a new era of protectionism directed towards self-sufficiency and economic independence from Britain.

A number of SOEs were established in the drive towards self-sufficiency in agriculture, industry, investment and production. Sweeney (1990) charts the growth of these enterprises during the era of import-substitution development, with the establishment of the Irish Sugar Company in 1933 representing a prototype SOE. The Industrial Credit Corporation (ICC) was also established in 1933 to counter the shortage of funds, particularly long-term credit for industry. The Agricultural Credit Corporation (ACC) had been established in 1927 to provide a similar service for agriculture. Ceimici Teo was originally set up in 1939 to manufacture industrial alcohol from surplus potatoes and later expanded its operations to all kinds of chemicals. The government entered aviation transport in 1936, with the establishment of Aer Lingus, the national airline. In 1937, Aer Rianta, the airports authority, took over the management of Dublin Airport (on an agency basis), from the Department of Transport.

The drive towards self-sufficiency was a necessity rather than an option during World War II and the proliferation of SOEs continued apace. Irish Shipping was established in 1941 to ensure the security of the import and export of essential goods. Córas Iompair Éireann (CIE) was formed in 1944, after the nationalised Great Southern Railway and United Dublin Tramway Companies were merged with the Grand Canal Company. Irish Steel and Arramarra Teo (a seaweed processing company) were formed after the nationalisation of private companies in financial difficulty in 1946 and 1949 respectively. In the financial sector, the Irish Life Assurance Company was established in 1939 after the nationalisation of five UK insurance companies which the state had already invested in, and in 1957 the Voluntary Health Insurance company was founded to cater for those not covered by the Health Acts.

The establishment of these SOEs between 1927 and 1958 was one of a number of examples serving to highlight the increasing autonomy and capacity of the new state in terms of its ability to formulate and pursue its own objectives over this period. It also demonstrates the active rather than passive role of the state in this period. SOEs were a crucial instrument in the more active state's arsenal. When the era of economic planning and outward orientation was embarked upon in 1958, SOEs were positioned to implement the broad policies advanced by government departments.

The rate at which SOEs were established continued to increase over the period of economic planning (1958-72). The dismantlement of protection and adoption of outward-looking policies with an emphasis on exports and the attraction of foreign direct investment led to the creation of state agencies 'mostly confined to servicing the needs of private capital, providing advice and information on matters such as export marketing and investment opportunities and the expenditure plans of the public sector' (O'Malley, 1989: 86). These agencies included Córas Tráchtála, the Irish Export Board, and three agencies responsible for the encouragement of foreign investment: the Shannon Free Airport Development Company, the Industrial Development Company and An Foras Tionscail. Gaeltarra Éireann (now Údarás na Gaeltachta) was founded in 1959 for the development of Irish speaking areas (Gaeltachta), the National Building Agency was set up in 1960 to provide housing near newly built industrial estates, and Bord Iascaigh Mhara was established in 1952 to develop the fishing industry. Among the more commercial SOEs founded after 1958 were: Radio

Telefís Éireann, the national broadcasting agency (1960); the fertiliser company Nítrigin Éireann Teo (1961); and B&I Line, the ferry company, which was formed in 1965 following the nationalisation of an ailing UK private company.

SOE creation continued during the 1970s. In 1972, a state rescue bank, Foir Teo, was established to aid industrial firms with credit difficulties. Bord Gáis Éireann, the monopoly distributor of natural gas, was set up in 1976. Three companies were corporatised from the civil service during the 1980s: Telecom Éireann and An Post in 1984, and Coillte Teo, the state forestry company in 1989. Of the 100 or so bodies in existence at the beginning of the 1980s, the great majority were established during the planning era (1958-72). Approximately 23 of these bodies fell into the 'commercial SOE category' at the beginning of the 1980s.

Table 1 Commercial State-Owned Enterprises in Ireland 1980

Company	*Established*	*Sector*
Agricultural Credit Corporation	1927	Banking & Finance
Electricity Supply Board	1927	Electricity
Industrial Credit Corporation	1933	Banking & Finance
Irish Sugar	1933	Sugar Production
Aer Lingus	1936	Air Transport
Aer Rianta	1937	Airports
Ceimici Teo	1939	Chemicals
Irish Life	1939	Insurance
Irish Shipping	1941	Sea Transport
Córas Iompair Éireann	1944	Rail and Road Transport
Bord na Móna	1946	Peat Production
Irish Steel	1946	Steel Production
Irish National Stud	1946	Horse Breeding
Arramara Teo	1949	Seaweed Processing
Voluntary Health Insurance	1957	Health Insurance
Radio Teilifís Éireann	1960	Broadcasting
Nítrigin Éireann Teo – IFI	1961	Fertiliser Production
B&I Line	1965	Sea Transport
Foir Teo	1972	Banking
Bord Gáis Éireann	1976	Gas
Irish National Petroleum Corporation	1979	Oil Refining & Supply
Bord Telecom Éireann	1984	Telecommunications
An Post	1984	Postal Services
Coillte Teo	1989	Forestry

These bodies (see table 1) were set up to engage in the production of goods and services for sale while the remainder were active in administrating or regulating some area of social or economic activity, or carrying out developmental activities associated with industry (Chubb, 1982: 271). Their formation was often ad hoc but principally owed to the urgency of the task of developing the national wealth of a state lacking in basic industries (Parris et al., 1987: 21). This urgency, allied to the accompanying dearth of private enterprise and the conditions necessary to foster private initiative (for example, access to risk capital), bolstered the state's growing autonomy (Lee, 1989; O'Malley, 1989), thereby mobilising the formation of SOEs in the pursuit of state goals.

Commercialisation and Privatisation

Although privatisation policies gained international popularity in the mid to late 1980s, the option was eschewed in Ireland until 1991.[1] This is particularly noteworthy when one considers that Ireland experienced an acute fiscal crisis in the 1980s and privatisation would have presented an attractive opportunity to raise exchequer revenues. Instead, government policy on SOEs in the 1980s was largely focused on improving the commercial performance of the sector. Poor financial performance in many SOEs became a matter of significant concern as the public finances deteriorated in the early 1980s. This was highlighted in a number of official reports and policy documents in the early 1980s, all of which advocated commercialisation with 'primary emphasis [...] to be placed on commercial viability and profits' (*Building on Reality*, 1984: 67). Most SOEs adopted an increased business focus from the mid-1980s onwards. Sweeney (1990, 1998) analysed the financial performance of the SOE sector since the early 1980s and concluded that:

> *...state-owned companies, including the monopolies have been commercialised. Several of them had been unprofitable, poorly managed, and some made poor investments. All shifted into a far more commercial mode in the period under review (1987-96). Most are now profitable* (Sweeney, 1998: 96).

[1] While Ireland did not follow the trend towards privatisation that was set in the UK in the early 1980s, Sweeney (1990) identifies one earlier case of privatisation, Bord Bainne (The Irish Dairy Board), which was privatised in 1972.

This emphasis on commercialisation rather than changes in ownership can be viewed in terms of the wider institutional context which shaped the formulation of economic and social policy in Ireland from the late 1980s. Drawing on the strategic programme for economic recovery provided by the National Economic and Social Council (NESC) in their report *A Strategy for Development, 1986-1990*, a series of negotiated agreements between government and key interest groups (primarily trade unions, employer and business organisations, farming organisations, and later the voluntary sector) were initiated in 1987. Allen (2000: 14) asserts that when the first agreement, the *Programme for National Recovery*, was approved in 1987, the then Taoiseach (Prime Minister), Charles Haughey, promised the trade unions that the main government party, Fianna Fáil, would not sell off any commercial SOEs. As a consequence, the agreement enunciated policies that aimed to expand rather than privatise the SOE sector.

This institutional check on privatisation policy was, however, short-lived. The early 1990s witnessed a gradual shift in policy concerning the ownership of SOEs. This coincided with a significant change in the political context, with the pro-privatisation Progressive Democrats (PDs) entering government for the first time as the minor party in the new coalition formed in 1989. The second social partnership agreement, the *Programme for Economic and Social Progress* (PESP), which was signed in 1991, set out a number of principles in relation to SOEs, including agreed principles on the questions of private involvement in the shape of joint ventures and the sale of shares (PESP, 1991: 51). These developments coincided with the decisions to privatise two SOEs, the Irish Sugar Company (now Greencore) and the state-owned insurance company, Irish Life Assurance, by initial public offering (IPO) in 1991.

Table 2 Privatised SOEs in Ireland and Exchequer Proceeds

Company	Sector	Year of Sale	Exchequer Proceeds (€'000s)
Irish Sugar	Agri-Food	1991	210,650.8
Irish Life	Insurance	1991	601,930.8
B&I Line	Sea Transport	1992	10,792.8
Irish Steel	Manufacturing	1996	0
Telecom Éireann	Telecommunications	1999	6,399,907.9
Industrial Credit Corporation	Banking	2001	322,274.8
Trustee Savings Bank	Banking	2001	408,350.3

Irish National Petroleum Corporation	Energy	2001	20,000.0
Agricultural Credit Corporation	Banking	2002	154,603.0
Aer Lingus	Air Transport	2006	240,902.3
Total			**8,369,412.7**

Source: Authors' calculations based on Exchequer Statements. Note: The table above details direct proceeds accruing to the Exchequer only. Indirect proceeds that accrued to the privatised company are excluded. For example, when Aer Lingus was floated on the stock exchange in 2006, the government allowed the airline to issue new shares which raised over €530 million for the company.

These divestitures were followed by a series of others over the following fifteen years. Table 2 shows that, to date, ten Irish SOEs have been privatised raising gross proceeds of almost €8.37 billion. In international comparative terms the scale of the Irish privatisation programme has been small, but in domestic terms the privatisation programme, along with measures in relation to liberalisation and regulation, has brought about significant changes in the structure and composition of key sectors of the economy including telecommunications, banking, air and sea transport.

Table 3 lists the enterprises that remained under state ownership prior to the current crisis. Despite privatisation, the state remains active, and in many cases dominant, in sectors of huge importance to society such as electricity, gas, rail and postal services. In addition, the state owns ports and bus companies as well as others in the health insurance, broadcasting and forestry sectors. Compared to other industrialised countries, the extent of SOE activity in the Irish economy is low. The OECD (2008) provides an indication of the extent of SOE activity in comparative terms. It finds that Ireland ranks towards the bottom for two measures adopted: (i) the scope of public enterprise in their economies (fourth from bottom), and (ii) public ownership (seventh from bottom). However, Ireland ranks highly (sixth from top) for 'government involvement in the infrastructure sector' (energy, transport and telecommunications). This reflects the nature of the Irish privatisation programme which, to date, has not extended to these sectors (with the exception of telecommunications).

Table 3: Commercial SOEs in Ireland in 2008

Company and Sector	Established	Principal Activity

Communications		
An Post	1984	Postal Services
Radio Teilifís Éireann	1960	Broadcasting
Energy		
Bord Gáis Éireann	1976	Gas Distribution
Bord na Móna	1946	Energy-Renewables
Electricity Supply Board	1927	Electricity
Natural Resources		
Arramara Teo	1949	Seaweed Processing
Coillte Teo	1989	Forestry
Transport		
Aer Lingus (25 per cent)	1936	Air Transport
Dublin Airport Authority	1937	Airports
Coras Iompair Éireann	1944	Rail and Bus Transport
10 Port and Harbour Companies	1996	Ports
Other		
Voluntary Health Insurance	1957	Health Insurance
Irish National Stud	1946	Horse Breeding

The continued strategic importance of the SOE sector for a small regional economy, particularly in infrastructure industries, means that the performance of SOEs continue to have an enormous bearing on the prospects for the wider economy. A number of issues in relation to the operation, structures and ownership of the SOE sector have therefore received a degree of consideration by some parties prior to the economic downturn. The following section turns to these issues and focuses on proposals for the governance of the SOE sector that remain on the policy agenda following the GFC, albeit in a context that is constrained by the conditionality attached to the financial assistance allocated by the Troika of the IMF, ECB and European Commission.

Back to the Future: Prospects for the Irish SOE Sector Before the GFC

After a decade of unprecedented economic growth and prosperity the Irish economy faced a number of challenges as it entered the late 2000's. Not least amongst the priorities for economic policy was the requirement for sustained investment in physical infrastructure. Despite record levels of public capital investment since the beginning of the new millennium the prospects for sustainable growth were constrained by comparatively low levels of capital stock per capita as well as widely recognised concerns about the quality of physical infrastructure in sectors such as transport, environment and telecommunications.

In this context, the potential role for state-owned enterprise in addressing the infrastructural deficit gained increasing levels of attention from policy makers and other economic actors as the pace of economic growth slowed down in the mid-2000s. This gave rise to the publication of some detailed proposals about the future role and governance of SOEs. One such proposal was contained in the election manifesto of the dominant party in the coalition government formed in 2011. The *NewERA* plan which evolved over the period 2009-2010 serves as a useful reference point in terms of understanding the prospects for the SOE sector prior to the GFC.

The principal features of the planned NewERA model are as follows:

1. Five new SOEs, namely Smart Grid, Gaslink, Broadband 21, Irish Water, and Bio-energy & Forestry Ireland, are to be established for the principal purpose of addressing Ireland's deficit of critical infrastructure.
2. The NewERA plan centres on the establishment of structures for providing SOEs with the funding required for large-scale investment in infrastructure. Envisaged sources of funding include Ireland's sovereign wealth fund (the National Pension Reserve Fund (NPRF), revenues from the privatisation of 'non-strategic' assets and the European Investment Bank. A strategic investment bank is also to be established.
3. The NewERA plan includes provisions to alter the governance structure of SOEs with the establishment of a holding company (called NewERA) which would hold shares in the relevant commercial SOEs and hold discretion on raising finance for relevant SOEs.

The NewERA plan constitutes a significant re-structuring of the ownership, governance and financing of the Irish SOE sector. The plan is based on a degree of privatisation which is confined to non-strategic assets but it does place public ownership of network companies (and a renewable energy company) at the centre of plans for infrastructural investment in the Irish economy. In comparative terms the NewERA plan resembles the dual model of governance for SOEs recommended by the OECD (2005). In their survey of the corporate governance of SOEs in member countries, the OECD (2005) identified three prevailing models of ownership of SOEs:

1. In the decentralised model, SOEs are the responsibility of different ministries. This model exists in a small number of OECD countries such as Finland and, to a lesser extent, Germany. The greater availability of sector expertise is one of the main advantages of this model. One of its main drawbacks is the problem of separating the ownership function from the regulatory one. In addition, there is a danger that government might interfere with day-to-day operations.
2. The dual model has been adopted in many OECD countries including New Zealand, South Korea, Greece and Italy. In this model, 'sector ministries' and a 'common ministry', such as the Department of Finance, share responsibility for exercising ownership rights. Both ministries can nominate representatives to the company board of directors. They also share responsibility for strategic plans and decisions on major transactions (Vagliasindi, 2008). An advantage of the dual model is that it can curb undesirable increases in the power of the Department of Finance. Also, there is a greater likelihood of better monitoring if both ministries compete. An important disadvantage is that there is a danger that the responsibilities of the two ministries can be blurred (too many principals) leading to a lack of clear direction.
3. In the centralised model, responsibility for the government's stake in all SOEs is vested in one ministry or agency. In most cases, this is the Ministry of Finance (Denmark, the Netherlands, Spain) or the Ministry of Industry (Norway and Sweden). This model offers the advantage of establishing a clear line of accountability between the SOE and government. However, there is a risk that the single ministry may not have a sufficient depth of sectoral expertise.

The NewERA plan has clear resonance with the dual model of governance and is largely consistent with the thrust of recommendations from the OECD (2005) and a number of Irish commentators regarding the future governance of the SOE sector (Sweeney, 2004; ICTU, 2005; MacCarthaigh, 2009; Fine Gael, 2010). While the NewERA plan provides a template for the future development of the SOE sector in Ireland, the prospects for implementing its proposals altered considerably following the collapse of the Irish economy and the GFC that evolved in late 2008.

Ireland's Economic Crisis and the Changing Composition of the SOE Sector

A detailed description of the reasons for Ireland's economic collapse post-2007 is beyond the scope of this paper (see Whelan, 2011 and Lane, 2011 for useful overviews). In short, between 1996 and 2007 Ireland experienced an enormous housing market bubble, with residential property prices quadrupling over the period (Whelan, 2009). The bursting of this bubble in early 2007 led to a collapse in construction activity, and a corresponding increase in unemployment. Consequently, the exchequer, which had become overly reliant on revenues related to the property sector in previous years, suffered a large loss in revenues and a considerable increase in social welfare payments. Compounding this deterioration in the public finances was the exposure of the Irish banking sector to the property market crash. Property-related lending in the five years prior to 2007 contributed to massive increases in bank lending, with the total assets of the Irish banking system five times larger than the size of the economy at its peak (Whelan, 2011). The bursting of the property market bubble in 2007 along with the credit crunch that followed the collapse of Lehman Brothers in September 2008 led to international investors becoming increasingly concerned with the exposure of Irish banks to the property sector and by late September, a number of Irish banks were effectively unable to raise funds on the international markets.

The scale and pace of the unfolding economic crisis resulted in a host of extraordinary measures being taken by Irish government. In the months immediately after September 2008, measures taken included:

1. An increase in the statutory limit for the deposit guarantee scheme for banks and building societies from €20,000 to €100,000 per depositor per institution;
2. The introduction of a near blanket guarantee arrangement with six Irish financial institutions to safeguard all deposits (retail, commercial, institutional and inter-bank), covered bonds, senior debt and dated subordinated debt (lower tier II);

3. The nationalisation of Anglo Irish Bank;
4. The introduction of a comprehensive package for the recapitalisation of the largest domestic banks (Allied Irish Bank and Bank of Ireland). This was followed by re-capitalisation of other institutions in the interim period and the eventual nationalisation of most of the domestic banking sector;
5. The presentation of austerity budgets in October 2008, April 2009, December 2009, December 2010 and December 2011
6. The announcement of plans for a National Asset Management Agency for the purpose of buying property-related loans of between €70 billion and €80 billion from the covered banks at a discount.

Table 4 shows the number of financial institutions that were nationalised as a result of the banking crisis in Ireland. The State effectively now owns almost all of the domestic Irish banks and the total gross cost of bank recapitalisations to the State as of March 2012 stood at €62.8 billion (equivalent to almost 40 per cent of 2011 GDP).[2] This figure does not include the cost of acquiring troubled loans from the covered domestic banks by the National Asset Management Agency (NAMA) between 2010 and 2011. NAMA was established at the end of 2009 as an asset management agency that would acquire troubled loans from five domestic banks (see Palcic and Reeves, 2011 for further detail on NAMA and the Irish banking crisis). By the end of 2011 NAMA had paid €31.7 billion to acquire loans with a book value of €74.2 billion at a discount.

Table 4: New financial SOEs in Ireland by 2012

Company	Comment
Anglo Irish Bank	Fully nationalised in January 2009
National Asset Management Agency	Asset relief agency established in December 2009
Bank of Ireland	Partial nationalisation (15.7%) in February 2010. State increased stake to 36% in June 2010. Stake reduced in September 2011 to 15% after sale of shares to private investors.
Irish Nationwide Building Society	Fully nationalised in March 2010

[2] Written answer by Minister for Finance, Michael Noonan, Dáil Éireann Debate, Vol. 761, No. 5, 29 March 2012. Available at: http://debates.oireachtas.ie/dail/2012/03/29/00077.asp

Allied Irish Bank	Partial nationalisation (18.3%) in May 2010. Full nationalisation after further recapitalisations in December 2010 and July 2011
Educational Building Society	Fully nationalised in May 2010
Irish Life & Permanent	Fully nationalised in July 2011

Turning to the SOE sector, the principal measure was taken when the Minister for Finance, established the *Review Group on State Assets and Liabilities* in July 2010. The *Review Group* was given the following terms of reference:

1. To consider the potential for asset disposals in the public sector, including commercial state bodies, in view of the indebtedness of the state;
2. To draw up a list of possible asset disposals;
3. To assess how the use and disposition of such assets can best help restore growth and contribute to national investment priorities; and
4. To review where appropriate, relevant investment and financing plans, commercial practices and regulatory requirements affecting the use of such assets in the national interest (Review Group, 2011, p.2).

The Review Group's report which was published in April 2011 recommended a large-scale programme of privatisation and identified asset sales with the potential to raise €5 billion for the Irish exchequer. Although the *Review Group's* report was preceded by Ireland's entry into a programme of financial support with the EU/IMF, its recommendations provided a second important point of reference (along with the NewERA plan) for exploring the impact of the bailout programme and its conditions on privatisation and SOE policy in Ireland.

Enter the Troika

The sheer scale of the government's unprecedented level of intervention in the banking sector, on top of the collapse in the public finances on foot of the property crash led to substantial budget deficits and a rapid increase in government debt (see table 5). Ireland's general government deficit as a percentage of GDP hit a staggering 31.3 per cent in 2010, largely as a result of the cost of bank bailouts, while the country's debt to GDP ratio accelerated from 25.1 per cent in 2007 to 105.5 per cent in 2011. Ireland's budgetary difficulties occurred despite the implementation of a series of savage austerity budgets between 2008 and 2011. Whelan (2011) shows how the cumulative total of tax increases and spending cuts introduced between 2008 and 2010 was worth €20.8 billion, equivalent to 13 per cent of GDP in 2010, ranking it as one of the "largest budgetary adjustments seen anywhere in the advanced economic world in modern times" (Whelan, 2011: 7).

Table 5 Irish Macroeconomic Developments 2007-2011

	2007	2008	2009	2010	2011
General Government Balance (% GDP)	0.2	-7.3	-14.2	-31.3	-10.3
- Excluding once off bank bailout monies	-	-	-11.7	-11.5	-
General Government Debt (% GDP)	25.1	44.4	65.2	92.6	105.5
Gross Domestic Product (real % growth)	5.2	-3.0	-7.0	-0.4	0.7
Gross National Product (real % growth)	3.9	-2.8	-9.8	0.3	-2.5
Unemployment Rate (ILO basis)	4.6	6.3	11.8	13.6	14.2

Source: Central Statistics Office *Quarterly National Accounts: Quarter 4 2011*; ESRI *Quarterly Economic Commentary* Autumn 2009 and 2010

With the Irish economy continuing to experience sluggish economic growth in 2010 and failing to show any evidence of recovery, the international markets became increasingly concerned with the ability of the Irish government to sustain continued structural deficits and the losses in the banking sector. Bond yields on Irish sovereign debt rose significantly in late 2010 and by mid-November it had become obvious that Ireland would have to follow Greece by accepting support from the EU and IMF. In late November 2010, the Irish government agreed a three-year €85 billion funding deal. €45 billion was contributed by the European Financial Stability Fund and European Financial Stability Mechanism, as well as bilateral loans from the UK, Sweden and Denmark. The IMF contributed €22.5 billion in funds while the Irish government contributed €17.5 billion from the National Pension Reserve Fund and cash reserves.

Conditionality and Privatisation

Financial support by multilateral agencies such as the IMF and World Bank is generally structured around a *Memorandum of Understanding* (MOU) between the donor(s) and recipient countries. The MOU describes the conditions that must be met by recipient countries if funds are to be released (normally in tranches) over the period of the agreement. Privatisation has been an element of the conditionality commonly attached to financial support from the IMF and World Bank since the early 1990s and has also applied in the Irish case.

The commitments made by the Irish government and the Troika are formally expressed in the original MOU (dated November 28th 2010) that has been followed by periodic reviews of performance and subsequent revisions of conditions and targets. Financial assistance is disbursed on a quarterly basis and depends on Ireland's observance of the conditions specified in the MOUs. These conditions are categorised under the headings (i) fiscal consolidation, (ii) financial sector reforms and (iii) structural reforms. A number of measures are specified for action on a quarterly basis.

Structural reforms mainly concern the supply side of the economy and conditions have been specified with regard to aspects such as labour market regulations (e.g. minimum wage and unemployment benefit), budgetary strategy (e.g. the establishment of a budgetary advisory council) and increasing competition in sheltered sectors (e.g. medical and pharmacy services).

The first MOU did not set specific requirements with regard to privatisation. It did however specify that privatisation must be considered but only after a review of the electricity and gas sectors was completed and time was given for the completion of the report by the *Review Group on State Asset and Liabilities*. At that stage the Irish State authorities were required to "consult with the Commission Services….with a view to setting appropriate targets for possible privatisation of state-owned assets".[3] The MOU also required an independent assessment of the transfer of responsibility of water services provision from

[3] Memorandum of Economic and Financial Policies (IMF Version), November 2010, p.30.

local authorities to a newly established water utility with a view to introducing water charges in 2012/13.

The Irish MOU has been updated on four occasions since December 2010 but has remained largely non-prescriptive with regard to the detail of privatisation of SOEs. The privatisation of SOEs has however been the subject of ongoing negotiation behind the scenes with the result that policy on the SOE sector and privatisation has been characterised by uncertainty and intense public debate.

The principal issues for negotiation have been:

1. The precise target for sales in terms of revenues;
2. The companies to be sold and the size of the government shareholdings for sale;
3. The use of privatisation revenues;

Revenue Targets

With the principle of privatisation agreed in the first MOU, the question that has received most coverage in the intervening period has been the size of revenues required to be raised as a condition of financial assistance from the Troika. This issue received much attention following the publication of the IMF Country Report in September 2011 which stated that

> *The government is preparing an ambitious program for the orderly disposal of state assets (MEFP 13). The draft program will be discussed with EC/ECB/IMF staff by end-December 2011. The mission urged the authorities to consider a program close to the €5 billion identified in the recently concluded Review of State Assets and Liabilities* (IMF, September 2011, p. 20)

The explicit reference to a possible target of €5 billion conflicted with the *Programme for Government* between the new coalition parties

> *Over time, we also propose to finance the investment programme from the sale of certain state assets. We will target up to 2 billion in sales of non-strategic state assets drawing from the recommendations of the McCarthy Review Group on State Assets when available. Assets will only be sold when market conditions are right and when adequate regulatory structures have been established to protect consumer interests.*

Government sources maintained that it had not agreed a €5 billion target. Moreover, no target had been imposed by the Troika. According to the Minister for Public Expenditure and Reform, Mr. Brendan Howlin

> *In our discussions, the Troika emphasised that ……….while it is anxious that the Government's programme of asset disposal should be ambitious; it has not imposed any particular target for proceeds from the sale of State assets on us* (Dail Debates, January 24th 2012).

The importance of the term 'ambitious' has been emphasised by representatives of the newly elected government in terms of demonstrating a degree of success in negotiating the issue with Troika. According to Minister Howlin, a target level of revenues was discussed between the Troika and the government that was newly formed in March 2011. However, the government ensured that the updated MOU (dated July 2011) was non-specific in this regard and that the government would consider an "ambitious programme of asset disposals" and prepare a draft programme of asset disposals for discussion with the Troika by the end of December 2011. The extent to which this left the government with discretion over important details of privatisation policy was however limited as the details of a forthcoming programme of privatisation were to be worked out in subsequent months. During the Troika's quarterly review of Ireland's performance in January 2012 the government was required to present a draft programme including the

> *"identification of the potential assets to be disposed, any necessary regulatory changes and a timetable for implementation, and an assessment of their classification as financial or non-financial transactions" (MOU, 3rd Update, November 2011: p. 27).*

Following completion of the January review the government announced the sale of assets up to the value of €3 billion. This was significantly below the target suggested by the IMF in

September 2011 but in excess of the target set by the new government in its *Programme for Government*, an outcome which indicates that the conditionality with regard to revenue targets was characterised by a degree of flexibility and scope for negotiation between parties to the MOU.

SOEs to be sold

While the sequence of events described above suggests that the Irish government was afforded some limited scope for bargaining on the question of revenue targets, the degree of discretion over the composition of assets to be sold appears to have been greater. A newly formed coalition took power following the general election in February 2011. The coalition consisted of the 'centre-right' Fine Gael party and the smaller Labour Party. Whereas the Labour Party has traditionally favoured retaining SOEs in public ownership, the major partner, Fine Gael, had explicitly included asset sales as part of its pre-election NewERA plan. The Programme for Government agreed between the two parties therefore contained an explicit target of €2 billion in privatisation proceeds. Whereas individual SOEs were not identified the disposal of assets was to be confined to those considered to be 'non-strategic'.

The formation of a new government was followed shortly by the publication of the report by the *Review Group on State Assets and Liabilities*. Although this report hastened national debate about the identity of SOEs to be sold, the updated MOUs allowed the government significant discretion on the issue insofar as it required a draft programme of asset disposals in December 2011.

In this context, the government's surprise announcement of its decision to sell a minority stake in the national electricity utility – the ESB – in September 2011 was unexpected. Moreover, the decision was difficult to explain on a number of counts. First, the original MOU required that any decision with regard to the future ownership of energy utilities should be preceded by a review of the energy sector. Second, the decision to retain the ESB as an integrated utility was at odds with the *Review Group's* recommendation to separate ownership of the network elements of the ESB from its other activities (generation and distribution). Moreover it was inconsistent with the NewERA plan which was also based on separate public ownership of the company's network assets.

When the government did officially announce the SOEs to be sold in February 2012 it reversed the decision to sell shares in the ESB and indicated that sales would be confined to some of the company's non-strategic power generation capacity. This was explained with reference to unpublished *"detailed analysis which identified a range of complex regulatory and legislative issues".*[4] The government also announced the intention to sell the retail arm of the government-owned gas company, Bord Gais Eireann (BGE). The sale will include the sale of local distribution networks but will not cover BGE's transmission or distribution systems or the two gas interconnectors, which will remain in State ownership. In addition, the government announced that consideration would be given to the sale of some assets of the forestry company Coillte (excluding the sale of land) and "the sale of the State's remaining shareholding in airline Aer Lingus when market conditions are favourable and at an acceptable price to Government"[5].

Although the final decision about companies to be sold required approval by the Troika it does appear that the Irish government was given significant discretion in this regard. The available evidence suggests that overall size of revenues to be raised from asset sales has been the overriding focus of negotiations with the Troika. Once the overall target was agreed decisions about individual companies followed. Whereas the Irish government had an explicit preference for confining privatisation to non-strategic assets, the financial targets set meant that some concessions were required in relation to valuable assets in the energy sector (i.e. gas retail and electricity generation).

Use of Proceeds

[4] Department of Public Expenditure Reform Press Release, February 22nd 2012.
[5] Department of Public Expenditure Reform Press Release, February 22nd 2012.

The application of privatisation proceeds was of particular importance to the Irish government and was arguably the major issue that required resolution before the details of the planned privatisation programme was announced. The NewERA plan for investment in the Irish economy was a major part of Fine Gaels' election manifesto and envisages investment and job-creation in sectors such as water, broadband and smart energy. As these investments were to be part-financed through the sale of 'non-strategic' assets the new government's plans were are odds with the Troika which required that all privatisation proceeds be used to pay down the country's growing national debt. The Troika's difficulties with the NewERA plan reportedly concerned three aspects. First, the infrastructure projects were not part of the official capital investment plan. Second, conditionality in the context of financial assistance packages normally requires the application of all privatisation proceeds to debt reduction and third, there was a danger that the Irish plan would set a precedent for future bailouts.[6]

Faced with these objections to directing privatisation proceeds to investment in its NewERA plan, the Irish government negotiated with the Troika over the period October 2011 – February 2012. These negotiations culminated in the announcement of a €3 billion privatisation programme with €1 billion potentially available for re-investment in the economy. The Troika therefore permitted discretion over the use of the privatisation proceeds but only where they exceeded the €2 billion target set in the Programme for Government agreed between the coalition parties in March 2011.

It is clear from the events described in this section that the broad parameters for a programme of privatisation have been set by the Troika, however, there has been some scope for negotiation in relation to the level of proceeds to be raised and the specific companies that are to be sold. An interesting question to ask in this context is how this compares with the experience of other advanced economies that have also received bailout packages since the GFC. The following section provides an overview of the conditionality with regard to privatisation in the various MOUs agreed with the Troika by both Portugal and Greece.

[6] Sheehan, F., (2012) "EU-IMF Lukewarm about Plans for 100,000 Jobs" Irish Independent, January 27th.

Conditionality in other bailout cases

Since the late 1980s multilateral institutions such as the IMF and the World Bank have included the privatisation of SOEs as one of the economic conditions to be satisfied by countries receiving financial support. For example, Bennell (1997) notes that most counties in Sub-Saharan Africa (SSA) are heavily dependent on foreign aid and that economic policy has been strongly influenced by the IMF and World Bank. As a consequence, most governments in SSA have been pressurised to accelerate the privatisation process since the mid-1990s. Martin (1993) shows how multilateral agencies including USAID have engineered privatisation as 'policy transfer' and how it was applied extensively to Latin America and the Caribbean as well as former Eastern Europe.

The scale and reach of the current GFC has been such that the need for financial support is no longer the exclusive preserve of lower income countries. Since 2008 high income countries such as Greece, Portugal and Ireland have sought financial support from multilateral agencies as their bleak economic prospects have effectively shut them out of private money markets. In each of these so-called 'PIG' countries the conditions attached to financial support include the requirement to dispose of state assets.

Portugal

Portugal received a €78 billion bailout from the EU/IMF in May 2011. The first MOU signed at the time contained explicit plans for an acceleration of Portugal's existing plans for a €5 billion privatisation programme that included the sale of shares in SOEs in the energy, transport, insurance and communications sectors with a deadline for implementation. Prior to the bailout the Portuguese government had planned to only partially divest large SOEs such as the energy firms EDP and REN, however the MOU stated that the Government was now committing to go even further "by pursuing a rapid full divestment of public sector shares in EDP and REN […] by the end of 2011". The MOU also stated that the Government would identify two additional large SOEs for privatisation by the end of 2012 and that it would produce an updated privatisation plan by March 2012.

Table 6 Planned Portuguese Privatisations

Company	Sector	Expected Sale Date
EDP	Electricity	January 2012
REN	Electricity	Early 2012
CP Cargo	Rail	Mid-2012
Aeroportos de Portugal	Airports	Late 2012
TAP	Airline	Late 2012
CTT	Post	Early 2013
Caixa Seguros	Insurance	2012

Source: Portugal - Memorandum of Understanding on Specific Economic Policy Conditionality, 9 December 2011

The second MOU published in September 2011 provided detail of the additional large SOEs to be privatised, with Agua de Portugal and RTP added to the list for asset sales, while the third MOU agreed in December 2011 provided considerable detail on the progress to date of the privatisation plan and specific deadlines for a number of divestitures (see table 6). The Portuguese government sold a 40 per cent stake in its national power grid, REN (Redes Energéticas Nacionais) in February 2012, having already sold its remaining 21.35 per cent stake in EDP (Energias de Portugal), the country's dominant power company, in December 2011. The proceeds from the divestiture of stakes in both EDP and REN amounted to approximately 60 per cent of the estimated privatisation revenues agreed upon in Portugal's adjustment programme.[7]

Greece

In May 2010, after months of speculation, Greece agreed to a €110 billion bailout from the EU/IMF. The first MOU signed by Greece in August 2010 merely referred to a government commitment to reform and/or privatise state-owned enterprises, with a particular focus on the heavily loss-making national rail company. As part of the MOU the Greek government committed to developing a detailed privatisation plan with dates and revenue guidelines to be submitted by December 2010. The second MOU signed in December 2010 stated that a draft privatisation plan had been prepared and that the Greek government would raise at least €7 billion from partial and full divestitures over the period 2011-13, with at least €1 billion to be sold in 2011.

[7] Speech by the Minister of State and Finance, Vítor Gaspar, 22 February 2012 [available at: http://www.portugal.gov.pt/media/480851/20120222_mef_ren_privatizacao.pdf].

The third MOU, signed in February 2011, went further by announcing an expanded privatisation plan which would now include state-owned commercial real estate and target proceeds of €15 billion by 2015. Continuing pressure on Greek government bond yields in the first half of 2011 and speculation that some of its debt would need to be restructured led to a decision by the Troika to agree a new bailout deal for Greece in July 2011. The deal reduced the interest rate paid by Greece on the emergency loans provided and extended the term of the loans from a minimum of 15 years to a maximum of 30 years. One of the conditions of the new deal was an agreement to significantly increase its privatisation plan. The fourth MOU signed in July 2011 stated that Greece was committing to raise proceeds of €5 billion by the end of 2011, €15 billion by the end of 2012, and €50 billion by the end of 2015 (see Appendix for details of plan). As part of the plan, the Greek government also agreed to establish a Privatisation Fund (National Wealth Fund) to take ownership of all assets to be sold and privatise the assets as soon as possible.

Table 7 Largest 5-Year Windows of Privatisation Receipts

Country	Window I	Revenue (% of GDP)	Window II	Revenue (% of GDP)
Portugal	1996-2000	15.7	1991-1995	7.9
Finland	1996-2000	9.4	2003-2007	5.7
Italy	1997-2001	7.0		
Kazahkstan	1994-1998	35.6	2002-2006	5.1
Latvia	1994-1998	33.2		
Slovakia	2000-2004	29.9		
Zambia	1994-1998	23.0		
Bolivia	2004-2008	20.0	1995-1999	16.1
Peru	1994-1998	17.4		

Source: Adapted from IMF (2011: 46). Note: (1) Table includes top three countries from each category of country analysed by the IMF (advanced, transition and other); (2) it must be noted that the sizeable proceeds generated in some of the developing countries above were due to one large transaction. For example, in Kazakhstan, 20 per cent of GDP was generated by the sale of one single asset in the oil industry, while in Bolivia proceeds of 20 per cent of GDP were raised in a single transaction granting exploitation rights for an iron ore deposit (IMF, 2011: 44).

It remains to be seen whether the highly ambitious target set by the Troika for privatisation receipts can be met by the Greek authorities. Already, there have been substantial delays in a number of planned divestitures and the target revenues from the sale of real estate are unlikely to be met unless prices in the commercial real estate market improve substantially.

The €50 billion target which is to be achieved by 2015 would be the most privatisation revenue raised as a percentage of GDP in a short period of time by any advanced economy in history. Even when compared to transition and developing countries, the target amount to be raised as a percentage of GDP would be among the highest on record. Table 7 provides detail on the most privatisation receipts historically generated as a percentage of GDP in advanced, transition and other economies in a five-year window. Greece's €50 billion privatisation target is equivalent to approximately 22 per cent of 2011 GDP and it is clear from table 7 that the current plans for Greece would appear to be highly ambitious and unlikely to be met given the historical experience in both advanced and developing economies.

Discussion

It is now sixteen months since Ireland entered its programme of financial support with the Troika. In that period the Irish government has been required to develop a plans for a sizeable programme of privatisation that is likely to have a significant bearing on the composition of the state-owned sector and the provision of public services. The scale of Ireland's economic crisis has been such that the response from the Irish government and donor agencies has been rapid. In this context there has been little or no articulation of a rationale for planned measures of privatisation and the scope for debate about the appropriateness or otherwise asset sales has been limited.

The written MOUs in conjunction with the reportage of the on-going relationship between Ireland and the Troika offer some insights into the thinking behind agreed measures privatisation. That privatisation has been principally viewed as a useful means of raising exchequer revenues has been consistently evident in all versions of the MOU. For example, each of the three updated MOUs (dated May, July and November 2011) categorise privatisation as a 'structural *fiscal* reform' (emphasis added) and therefore separate from other supply side reforms such as de-regulation of the labour market. The question of exchequer revenues has also dominated the media coverage of privatisation plans as they emerged with the Irish government placing much emphasis on how targets had not been prescribed until the first details were announced in February 2012.

It must be recognised that members of the Troika have also referred to privatisation as *"structural reform[s] to boost medium-term growth potential"* (IMF First and Second Review, May 2011) and that asset sales would help to improve efficiency and competition in the economy. Indeed, by the fourth update of specific conditionality (March 2012) the purpose of privatisation was described as a means to "*enhance the efficiency and competitiveness of the economy, reduce sovereign financing needs and provide additional resources for investment in the economy*".[8]

Claims that privatisation can boost the growth potential of the economy and improve the efficiency of enterprises have been contested strongly in the economic and empirical literature on privatisation that been developed over the last three decades (Florio, 2004; Martin and Parker, 1997; Stiglitz, 2008) and the legitimacy of these claims has also been called into question in the Irish context (Palcic and Reeves, 2011). In this context it is difficult to identify factors other than revenue-raising as legitimate reasons for asset sales.

Attempts to discern a precise rationale for privatisation are made difficult by the different rationales that can be advanced by multiple actors at different times. Pursuing this line of enquiry also leads one to consider the question of who is dictating policy on privatisation. In the context of financial support programmes by multilateral agencies such as the IMF, the simple answer is that the donor dictates policy. Our analysis of the Irish case however suggests that the shaping of privatisation policy has been somewhat nuanced and that the Irish government has had a significant degree of input into final decisions.

As the dominant member of the coalition government (Fine Gael) had committed to some degree of privatisation (albeit limited to non-strategic assets) in its election manifesto, it was never the case that the Troika was dealing with a recalcitrant recipient of financial support in this regard. If there were any concerns about possible objections to privatisation in principle, it is likely that they would have been removed following the statement by the Minister for Finance, Michael Noonan in October 2011:

[8] Memorandum of Understanding on Specific Economic Policy Conditionality, March 2012, p. 4.

"The European authorities are of the view — it is supported by any economic theory one would like to read — that assets in private hands will be used more efficiently for the public good than assets in public hands in general terms".[9]

The obvious inference is that there is little dissonance between the Troika and the main coalition party on the case for privatisation. It is noteworthy that this sanguine view is not necessarily shared by the other coalition partners (the Labour Party). This was demonstrated by the Minister for Energy and Communications Mr. Pat Rabbitte who asserted that

Due to the injunction by the Troika that we must dispose of some State assets, I find myself in a position I do not want to be in but I acknowledge that the survival and viability of this economy is at risk.[10]

Notwithstanding this remark it is evident that the Irish government is largely in agreement with the Troika on the question of privatisation and has had an appreciable degree of input into the programme. In fact the Troika have sought to dispel any argument that it is dictating a programme of privatisation. This was made clear by the Troika when they met the so-called 'technical group' of independent members of parliament in January 2012. According to one such member Mr. Shane Ross TD:

The Troika delegates insisted that they had not prescribed any privatisations. They wanted to see certain semi-states "restructured" and competition in the market. Contrary to media perceptions, they were not pressing the Government to raise any specific amount from the sale of State assets. The figures in the public arena of between €2bn and €6bn did not come from them.[11]

The Irish case therefore contrasts sharply with those of Greece and Portugal who have had significant privatisation targets imposed on them as part of their bailout agreements. Whether or not Ireland will be able to return to the private debt markets from 2013

[9] Minister for Finance, Michael Noonan, *Dáil Éireann Debate*, Vol. 742, No. 3, 05 October 2011. Available at http://debates.oireachtas.ie/dail/2011/10/05/00010.asp
[10] Minister for Communications, Energy and Natural Resources, Pat Rabbitte, *Dáil Éireann Debate*, Vol. 740, No. 1, 14 September 2011. Available at: http://debates.oireachtas.ie/dail/2011/09/14/00004.asp
[11] Ross, S. (2012) 'Troika is caught on a hook', *Sunday Independent*, 22 January.

onwards will critically determine the future course of privatisation, since a second bailout would almost certainly impose a greater level of conditionality with regard to privatisation than has been experienced to date.

Conclusions

Few spheres of economic activity have been immune to the fallout from the global financial crisis that became manifest in late 2008. The SOE sectors in many countries have experienced much turbulence as governments and businesses have reacted to the severe global recession. Since late 2008 there have been widespread nationalisations especially in the banking sector as governments have sought to contain the effects of massive banking crises. This has been particularly true in the case of Ireland where five banks were nationalised since 2008 and the National Asset Management Agency, established in 2010, now represents the largest of Ireland's portfolio of SOEs.

The spate of nationalisations and government bailouts witnessed in recent years is not without historical precedent. Wettenhall and Thynne (2002) note that since the late nineteenth century, "*new public enterprises continue to appear, just as old ones continue in existence……[and]…one of the long understood rationales for public enterprise has been as 'amulance for sick industry"* (2002, p.6). There is, however, no guarantee that 'rescued' enterprises will remain in public ownership and the reversal of some nationalisations have contributed to record levels of global privatisation activity in 2009 and 2010. According to the *Privatization Barometer* published by the Italian *Foundazione Eni Enrico Mattei*, 2010 witnessed the largest annual value of privatization sales ($213.6 billion; €159.9 billion) since the phenomenon of state divestments began over four decades ago. The divestiture of state owned shares in General Motors and Citigroup placed the United States as the top privatising country measured by exchequer revenues while China, Brazil, France, Turkey, Poland, and India accounted for ranks two through seven (Privatization Barometer, 2010: 3). This renewal of global privatisation activity cannot be fully attributed to the reversal of previous nationalisations. In many cases, governments are turning to the disposal of state assets in order to reduce national indebtedness. In some cases, including Ireland, planned sell-offs have been specified as a condition that must be satisfied in return for non-market financial support from multi-lateral agencies such as the IMF.

The extent to which conditionality regarding privatisation has been prescriptive in the Irish case has commanded the focus of this paper. Our analysis of the MOUs and relevant statements and reportage over the first sixteen months of the agreed programme suggests that the Irish government has exercised a degree of bargaining power with the Troika. Whereas the Troika has certainly dictated the required level of proceeds from the privatisation programme, the Irish government has secured discretion over the selection of enterprises to be sold. Although discretion has also been secured in relation to the application of proceeds from privatisation, this only applies where revenues exceed a €2 billion threshold set by the Troika.

The Irish case contrasts sharply with those of Greece and Portugal where the Troika has adopted a decidedly more prescriptive approach to conditionality with regard to privatisation. In both cases, individual SOEs have been identified for sale and clear targets set for the timing of divestitures and the proceeds to be generated for the purpose of paying down debt. Understanding the reasons for different degrees of prescriptiveness in different countries is a question that may provide an interesting line of enquiry for public enterprise scholars in the years to come.

Looking forward, it appears that Ireland is set to embark on a new round of privatisation. Whereas previous sales were decided upon autonomously, the divestitures to be executed in the short to medium term will be mainly dictated by the Troika. Prospects thereafter will be determined by the pace at which Ireland can return to the international money markets and borrow at sustainable rates of interest. There are widespread concerns that this may not happen at the end of the current programme of support. If a second bailout is required the likelihood of more divestitures will be stronger. In such a scenario it is unlikely that the larger and strategically important SOEs that operate in sectors such as gas and electricity transmission and distribution will remain in full public ownership. The future of Ireland's SOE sector is therefore likely to remain uncertain for some time to come.

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Appendix: Greek Privatisation Plan (4th MOU, 04 July 2011)

Date		Name	Stake to be sold	Type of sale	Intermediate steps
2011	Q2	OTE	10.0%	Share sale	
	Q3	Thessaloniki Water	At least 40%	Share sale of SPV	
	Q3	Athens Intl Airport	100.0%	Concession	
	Q3	OPAP 1	100.0%	Concession	
	Q3	OPAP 2	100.0%	New games	Gaming law enacted by end-August
	Q3	Thessaloniki Port	23.3%	Share sale of SPV	
	Q3	State Lotteries	100.0%	Share sale of SPV	
	Q4	Piraeus Port	23.1%	Share sale of SPV	
	Q4	Hellenic Defence Systems	99.8%	Share/asset sale	
	Q4	Hellenic Postbank	34.0%	Share sale	
	Q4	Public Gas Company (DEPA)	65.0%	Share sale	Operations and infrastructure to be
	Q4	Public Gas Company (DESFA)		Share sale	separated by Q3-2011
	Q4	Railway Operator (TRAINOSE)	100.0%	Share sale	
	Q4	Larco	55.2%	Share sale	
	Q4	Alpha Bank	0.6%	Share sale	
	Q4	National Bank of Greece	1.2%	Share sale	
	Q4	Hellenic Horse Racing	100.0%	Share sale	Gaming law enacted by end-August
	Q4	Mobile telephony licences	100.0%	Sale of rights	
	Q4	Casino Mont Pames	49.0%	Share sale	
	Q4	Hellenic Vehicle Industry	72.6%	Share sale	
	Q4	OPAP	34.0%	Share sale	
	Q4	Hellenikon 1	100.0%	Share sale of SPV	Land use assigned by Q3-2011
	Q4	Four Airbus aircraft	100.0%	Sale	
	Q4	Real Estate Assets 1	100.0%	Share sale of SPV	Land use assigned by Q3-2011
2012	Q1	Athens Intl Airport	At least 21%	Share sale of SPV	
	Q1	Hellenic Petroleum	35.5%	Share sale	Resolve strategic reserves issue by Q4-2011
	Q1	Piraeus Bank	1.3%	Share sale	
	Q1	Hellenic Agricultural Bank	At least 38%	Share sale	Collateral issue to be solved by Q3-2011
	Q1	Egnatia Odos Rd	100.0%	Share sale of SPV	
	Q1	Hellenic Post	At least 40%	Share sale	
	Q1	Ports 1	100.0%	Share sale of SPV	Ports group created by Q4-2011
	Q2	Athens Water	27.3%	Share sale of SPV	To be unbundled by Q2-2012
	Q2	Loan and Consignment Fund	100.0%	Share sale of SPV	
	Q2	Real Estate Assets 2	100.0%	Share sale of SPV	Land use assigned Q1-2012
	Q3	Public Power Corporation	17.0%	Share/asset sale	To be unbundled by Q3-2011
	Q3	Hellenic Motorways 1	100.0%	Share sale of SPV	Renegotiate concessions by Q4-2011
	Q3	Regional Airports 1	100.0%	Share sale of SPV	Incorporatised and grouped by Q2-2012
	Q4	Hellenikon 2	100.0%	Share sale of SPV	
	Q4	Real Estate Assets 3	100.0%	Share sale of SPV	Land use assigned Q3-2012
	Q4	Digital dividend 1	100.0%	Sale of rights	Law on digital broadcasting Q3-2011
	Q4	Thessaloniki Water	34.0%	Share sale of SPV	Market to be regulated by Q2-2012
	Q4	Hellenic Goldmines 1	100.0%	Share sale of SPV	Licencing of concessionaires by Q1-2012
2013	Q1	Offshore Gas Storage Fac.	100.0%	Share sale of SPV	
	Q2	Regional Airports 2	100.0%	Share sale of SPV	Incorporatised and grouped by Q4-2012
	Q2	Ports 2	100.0%	Share sale of SPV	Incorporatised and grouped by Q1-2013
	Q3	Real Estate Assets 4	100.0%	Share sale of SPV	Land use assigned Q1-2013
	Q3	Hellenic Goldmines 2	100.0%	Share sale of SPV	
	Q4	Digital dividend 2	100.0%	Sale of rights	
	Q4	Athens Water	34.0%	Share sale of SPV	Market to be regulated by Q2-2012
	Q4	Hellenic Motorways 2	100.0%	Share sale of SPV	
2014		Real Estate/Land	100.0%	Share sale of SPV	Land use assigned Q2-2013
		Hellenic Motorways 3	100.0%	Share sale of SPV	
2015		Real Estate/Land	100.0%	Share sale of SPV	Land use assigned Q2-2014
		Hellenic Motorways 4	100.0%	Share sale of SPV	