

**ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT**

**CENTRE FOR CO-OPERATION WITH THE
ECONOMIES IN TRANSITION**

**DIRECTORATE FOR FINANCIAL, FISCAL
AND ENTERPRISE AFFAIRS**

OECD Advisory Group on Privatisation
Eleventh Plenary Session

**In co-operation with:
The Italian Treasury**

BANKS AND PRIVATISATION

Rome, 18 and 19 September 1997

Agenda

THURSDAY 18 SEPTEMBER

- 8:30 - 9:00 Registration
- 9:00 - 9:15 Opening remarks:
- *Prof. Filippo Cavazzuti*, Under-secretary of State, Ministry of the Treasury, Rome
- *Dr. Rinaldo Pecchioli*, Deputy Director, Directorate for Financial, Fiscal and Enterprise Affairs, OECD

SESSION I: POLICY ASPECTS OF BANK PRIVATISATION

Chair: *Professor Cavazzuti*

- 9:15 - 10:15 **Privatising banks: the main issues**
Presentation by *Dr. Kalman Miszei*, CEO, Hungarian EXIM Bank
- General discussion
- Coffee break

SESSION II: DESIGNING A BANK PRIVATISATION PROGRAMME IN TRANSITION

Chair: *Dr. Eva Freyberg*, Deputy Minister, Ministry of the Treasury, Warsaw

- 10:30 - 13:00 **The process of privatising banks in Poland: successes and failures of a multitrack path**
Presentation by *Dr. Slawomir Lachowski*, First Vice President, PBG Bank, Lodz
- Bank Privatisation in Hungary: the main issues and lessons**
Presentation by *Dr. Arpad Kovacs*, Chairman of the Board, Hungarian Privatisation and State Holding Company (APV Rt), Budapest
- Discussants:
- *Dr. Dan Popescu*, State Secretary for Reform, Bucharest
- General discussion
- Lunch

SESSION III: THE PROCESS AND METHODS OF PRIVATISING BANKS

Chair: *Mr. Pablo Olivera Masso*, Chief Executive Officer, State Company for Participations (SEPPa), Madrid

- 14:15 - 16:00 **Framework conditions, methods and process of privatisation: lessons from the trade sale of an Austrian bank.**
Presentation by *Dr. Peter Mooslechner*, Austrian Central Bank

Discussants:

Ms. Marie-Helene Berard, Advisor to the Chairman, Credit Commercial de France, Paris

General discussion

Coffee break

16:15 - 17:45

The strategy of taking a bank to the market : the experience in Spain

Presentation by *Mr. Miguel Zorita*, Member of the Board,
Argentaria/Banco de Negocios, Madrid

Discussants:

- *Dr. Bruno Mangiatordi*, Head of Privatisation Division, Ministry of the
Treasury, Rome

General discussion

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FRIDAY 19 SEPTEMBER

SESSION IV: THE ROLE OF BANKS IN PRIVATISATION

Chair:

Mr. Harry Bush, Head of Privatisation, U.K. Treasury and Chairman, OECD
Privatisation Network

9:00 - 10:30

The role of banks in the Italian privatisation process: some early lessons

Presentation by *Dr. Rainer Masera*, CEO, Instituto Mobiliare Italiano (IMI),
Rome

Discussant: *Mr. Roman Ceska*, Chairman of the Executive Committee,
National Property Fund, Prague

General discussion

Coffee break

10:45 - 12:30

Corporate governance through the banks: the experience in Russia

Presentation by *Dr. Alexander Radigyn*, Head of Privatisation Department,
Institute for the Economy in Transition, Moscow

Discussant: *Dr. Gerhard Pohl*, Manager, the World Bank

General discussion

12:30 - 13:15

Concluding round table

Lunch

NOTES

1. The main presentations will take 20-25 minutes. Panel interventions will be limited to approximately 10 minutes.

2. The **first session** of the meeting will explore the main issues related to bank privatisation as a distinct category of asset disposals. The specificity of bank privatisation will be explored from the perspective of both the government and the market. The main issues to be discussed include:

What are the main legislative and regulatory requirements for privatising banks? Are there any banking supervision issues that need to be addressed before the transaction?

What are the main political concerns and how can they be accommodated in an efficient way?

What should be the institutional/ operational framework for decision making in bank privatisation? How important should the bank itself be in making decisions? What are the main pitfalls in terms of conflicts of interest?

What are the main expectations in the market place for bank privatisation? What profile and "state of health" is expected from privatised banks?

How should restructuring issues be addressed in the preparation to privatisation? Have issues of competition arisen?

3. **Session II** will examine issues related to bank privatisation in a transitional environment. In these economies, the banking sector is, to a large extent, state-owned. The design and implementation of a bank privatisation programme has systemic consequences in the financial sector. Two countries will be used as examples for the discussion of bank privatisation design and implementation. In addition to the issues identified above (under 2), a number of additional topics will be discussed:

What are the main characteristics of a nascent banking sector in a transition environment? What is the importance of bank restructuring and financial discipline for the transition economy as a whole?

Is privatisation necessary in the banking sector at the transition stage? What are its main objectives? Are there other policies that address these objectives?

What are the necessary compliments to a bank privatisation programme? What steps should be taken up front so that the programme is a success?

What has been the experience with different privatisation methods in the transition context?

What have been the results of bank privatisation in transition?

4. Policy makers and privatisation officials need to examine the process of privatising a bank from a number of different perspectives. For this purpose, two case studies from OECD countries will be discussed in **Session III**. They involve different methods and pose different problems to both privatisers and market participants. Some of the issues include:

Why was a specific method chosen? What were the alternatives?

How should a transaction be planned? How should it be sequenced?

What was needed in terms of preparation for privatisation in the bank? How did the chosen method reflect on these preparations?

What were the main obstacles for the privatisation to go ahead?

How was co-ordination between the bank and the privatisation authority planned? How were different privatisation tasks assigned?

What are the main results of bank privatisation as regards the performance of the banks concerned and the sector as a whole?

5. During session **IV** the discussion will focus on the role of banks as buyers/owners of privatised assets and/or governance agents in the privatisation process. It will also discuss the extent to which the non-trivial involvement of banks as creditors has produced benefits or problems in the privatisation process. The discussion will be centered around a comparative issues paper and two country studies: one from an OECD perspective and one from a transition economy. Some of the issues to be discussed include:

What are main reasons for involving banks in the privatisation process as buyers or governance agents? Is the rationale based on stable governance considerations or on better possibilities of restructuring due to operational and financial synergies?

How extended are the links of the banks with the new companies? Are they simply minority shares that give the former the character of an institutional investor? Are they accompanied by other contractual covenants, options etc.? If so, to what degree are the banks "tied" to the companies in terms of management or future ownership structure?

What are the main dangers related to such an approach? Are there any negative repercussions to competition, risk exposure of the banks or to the transparency and accountability of the privatised firms to their shareholders? Is there a general danger of an overall spill-over effect for the governance environment on the health of the banking sector?

Is there a possibility of the firms been indirectly governed by the state even after privatisation?

What have been the main results and trends of such strategies? What has changed with privatisation in the companies thus privatized?

To what extent have the banks been involved in lending in the privatisation process? What has been the experience with this type of exposure?

Are there any reasons for special concern in privatisation-related bank lending? Are such concerns linked to the solvency of banks, to lesser transparency in the privatisation process or to dangers of re-nationalisation?

6. A round table discussion between experts will take place in the context of **Session V**; its main objective would be to reach a number of conclusions as regards the issues discussed in the previous sessions.