SECOND PLENARY MEETING OF THE OECD ADVISORY GROUP ON PRIVATISATION

Paris 23rd-24th November 1992

In the context of the CCEET assistance programme to the economies in transition, the OECD Advisory Group on Privatisation (AGP) met for its second plenary session in Paris, on 23rd-24th November. Members of the AGP reviewed recent trends and developments in privatisation in Central and Eastern European countries (CEECs) and the New Independent States (NIS) and discussed the institutional aspects of the privatisation process in European economies in transition. Privatisation officials from Albania, Bulgaria, the Czech and Slovak Federal Republic (CSFR), Estonia, Hungary, Latvia, Lithuania, Poland, Romania and the Ukraine, as well as OECD experts, took part in the meeting.

CEECs representatives presented the recent trends and developments in the area of privatisation. Some countries which are relatively advanced in their economic reform have adopted new privatisation policies, in order to correct shortcomings and speed up the process. Most of the other countries have, by now, put in place their relevant legislative and institutional framework and have started actual implementation of privatisation policies.

The rest of the meeting was devoted to the discussion of institutional aspects of the privatisation process in CEECs and the NIS. This discussion was based on a general overview paper and three country studies of institutional arrangements in the CSFR, Hungary and Poland. In the final session, other CEECs and the NIS presented their institutional arrangements, followed by a general concluding discussion.

All AGP members agreed that privatisation is a highly political process, for which a single institutional pattern does not exist. Nevertheless, there is a need for an institutional structure that assigns decision-making responsibilities in a clear manner. The fact that different parts of government and society have different interests should not result in a dilution of responsibility. Where more than one institution with privatisation and management functions exists, an effective mechanism for co-ordination and conflict resolution should be put in place.
Privatisation institutions should be allowed to function in a flexible way that reflects their dual character as state institutions and sellers of corporate entities. They should be given decision-making autonomy. Decentralisation of privatisation initiatives, involving state-owned enterprises, investors and private sector intermediaries, will speed up the process. The privatisation authorities should, however, maintain effective control and link the performance of private actors to the objectives of privatisation policy.

Accountability is a necessary complement to flexibility. Parliaments should be regularly informed of developments. Judicial review should be available to interested parties, but the procedures put in place should not be allowed to function as obstacles to privatisation.

Transparency is important for building political support. Clear rules and guidelines should be adopted as regards specific categories of privatisation transactions, especially sales through auctions, competitive bids and the selection of private consultants.

There is a need to better inform the public on privatisation policy objectives and their implementation. Mass media, private agents and public relations departments within privatisation institutions may be used to this effect. However, the most effective way to ensure continuing public support is the direct involvement of large segments of the population in the privatisation process, either through mass privatisation programmes or incentives for domestic investors.