FIFTH MEETING OF THE OECD ADVISORY GROUP ON PRIVATISATION

Paris, 2-4 March 1994

The fifth meeting of the OECD Advisory Group on Privatisation (AGP) took place in Paris, at the OECD headquarters, from 2nd-4th March 1994, on the subject of "Mass Privatisation: A first Assessment of the Results". The meeting brought together privatisation officials from Albania, Bulgaria, the Czech Republic, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Lithuania, Mongolia, Poland, Romania, Russia, Slovakia and Slovenia as well as experts from the World Bank, the EC Commission, the United Nations Industrial Development Organisation (UNIDO) and the Central Eastern European Privatisation Network (CEEPN), representatives of OECD Member countries and private sector practitioners. It included high-level policy makers such as Mr. Karibjanov, Deputy Prime Minister of Kazakhstan, Mr. Ceska, First Deputy Minister of Privatisation and Mr. Jezek, chairman of the National Property Fund from the Czech Republic, Mr. Csepi, chairman of the State Holding Company and Mr. Rotyis, chairman of the Budapest Stock Exchange from Hungary, Mr. Vassiliev, deputy chairman of the State Committee for State Property and Mr. Boycko, chief executive officer of the Russian Privatisation Centre in Russia.

The AGP meets twice a year and serves as a forum for the exchange of information and experience between privatisation officials from reforming countries, government officials of OECD member countries and experts from the private sector and other international organisations. The previous four meetings of the AGP dealt with the role of financial intermediaries in privatisation, institutional aspects of the privatisation process, management/employee buy-outs and enterprise restructuring in the context of privatisation.

The Paris meeting focused on the first results of mass privatisation schemes in a number of reforming countries. Under these schemes, ownership rights to a broad range of enterprises would be distributed to the population within a relatively short period of time. For this they rely on the use of vouchers or, in certain cases, other means of exchange, favorable to small "investors" with little or no capital.

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At the outset, it was pointed out that different variants of mass privatisation schemes have been adopted in almost every reforming country in order to speed the privatisation process and ensure political support for it. However, such schemes can successfully be undertaken only when there is strong political commitment at the highest level of government. Mass privatisation is credible and is perceived as a transfer of real value by its beneficiaries only when the distribution of exchange instruments (i.e. vouchers) is matched by a steady supply of shares of a large number of enterprises.

Participants focused on the issue of enterprise restructuring as the ultimate goal of any privatisation programme. In the case of mass privatisation this goal is achieved through a number of different processes. Firstly, such schemes are in many cases combined with other, standard methods of privatisation, such as trade sales to foreign and domestic investors or management/employee buy-outs. Secondly, financial intermediaries in the form of investment funds are also playing a prominent role by providing risk diversification and correcting information asymmetries as well as by assuming an active role as major shareholders in newly privatised companies; it was pointed out that in many countries regulators need to address more effectively the conflict between the function of investment funds as agents of a large number of small investors and their role as active shareholders.

Finally, most participants agreed that in order for enterprise restructuring to occur, there is a need for active secondary markets for both the shares and the assets of the newly privatised enterprises, so that existing privatised resources can be assigned to their best use. In the case of the Czech Republic, the stock market (mainly through the two competing stock exchanges) is serving as the main conduit for foreign and domestic capital into the enterprise sector and as a means for the rationalization of the intermediaries’ portfolios.

The sixth AGP meeting will take place in Vienna on 28-30 September 1994 and will be co-hosted by UNIDO. Its subject will be "Liquidation and corporate re-organisation procedures as a tool for enterprise restructuring".

The OECD publishes the semi-annual periodical "Trends and Policies in Privatisation" which includes an overview of privatisation developments in Central and Eastern European Countries and the Newly Independent States. The main papers from AGP meetings and a synthesis of the discussions are also published in the "Special Feature" section.