



Author: Igor Isailović

Privatization

The privatization process is finally entering its final phase after almost a decade. The term privatization is commonly associated with terms such as “fraud”, “robbery”, “theft” etc. The goal of privatization, nevertheless, was and is to establish responsibility and corporate governance, efficiency and to achieve better results. The fact is that in the previous period, the process failed to establish principles which would prevent irresponsible privatization, more precisely, the models of privatization were apparently not adequate to each specific subject.

The rules governing privatization were finally amended to make the models less conservative and more favorable for achieving greater results in privatizing the remaining national giants, with disregard to so-called companies in restructuring.

Namely, with the latest amendments to the Law, the legislator has set forth the following models of privatization: sale of equity, sale of assets, strategic partnership and free division of shares. The choice

Responsible administration will constantly look to increase revenue, but will take into consideration long-term goals as well. Selling the majority stake in most successful state owned companies will inject a substantial amount into the budget, but only at the given moment and for a short period of time. Unfortunately this lump sum is usually wrongly spent and invested.

The strategic partnership model could be applied to Telekom Serbia, Galenika, PKB, Ikarbus, Dunav Osiguranje, Aerodrom Be-

The goal of good privatization is to establish better, professional management, able to guarantee with collateral means and deliver results in accordance with the contract. Good examples such as Air Serbia and the Smederevo Steel factory deserve to be mentioned.

of which model to use should be well calculated by the privatization advisor and the government. By choosing the right model, the future of employees, economic growth, the quality of goods and services, corporate income and better salaries should all be secured.

A universal formula for choosing the right model does not exist, nevertheless it does not take much to see that the best model for the privatization of successful companies, from which reasonable revenue is generated for the state through dividends, is the model of strategic partnership. Namely, every country seeks to secure its revenue and budget in order to have the state system functioning properly. Public revenue secures most of the needs; but still, funds generated by the state through dividends should not be disregarded.

ograd etc. It is the general public’s opinion that professional management, capable of warrant greater profit with adequate collateral means, should be allowed to govern these companies. Sale of capital is the last resort to be applied to so-called “loss makers”. By selling the majority stake, the state will lose the leverage of interventionism, and the private owner will be left with the opportunity to divert operations from the core business. Making changes in the core businesses of “loss makers” is certainly a possibility for the new owner; yet leaving this opportunity in profitable state companies poses a threat that could result in the devastation of the few which are still successful.

The model of strategic partnership demands strictly defined covenants for contractual parties with flexible provisions able to adapt to dynamic business flow. Certainly, SU-

TRANSPARENCY is also very important for the success of privatization, since competition is crucial for selection of the most appropriate strategic partner. The most favorable bid should not be analyzed in terms of the proposed price only, but other relevant facts related to employees, private partners and the state should be taken into account as well.

SALE OF THE MAJORITY STAKE AND FREE DIVISION OF SHARES are recognized models for loss makers, since they leave the opportunity for the investors to be proactive in finding the best possible solutions for the subject company. We should have in mind that “loss makers” represent a burden for the national budget.

EFFICIENCY is an important element of successful privatization, since any further delay will cause inappropriate bids and lost opportunities.

CESS, PROFIT, NEW JOBS, GROWTH, and EXPANSION should be the ultimate goal of the contract itself.

Successful privatization is pre-condition for the recovery of the Serbian economy and budget system; it is a magnet for new jobs, therefore it is essential that we all approach this process with greater responsibility and efficiency. ▢

Igor Isailović, lawyer