Lessons to be learnt from International Comparisons

Jeremy Colman

Outline

- Objectives of privatisation
- Privatisation methods and schemes
- Institutional and regulatory framework
- Economic dilemmas
- Conclusions

Objectives

- To secure improved economic efficiency
- Rapid change of economic regime
- To raise money and human resources for firms
- To increase state income
- Social acceptance

Economic efficiency *versus* Social acceptability

- Economic efficiency promotes welfare

but…

- Economic efficiency requires "redeployment of factors of production"

=

factory closures, dismissals, unemployment

Economic efficiency *versus* State budgets 1

- Selling monopolies = high proceeds

but

- Selling monopolies = economic inefficiency

Economic efficiency *versus* State budgets 2

- Quick sales = low proceeds + rapid gains in economic efficiency
- Slow sales = (maybe) higher proceeds

- NB probably not worthwhile spending state revenues on restructuring

Privatisation Methods

- "Traditional"
  - Direct sale
  - Trade sale by invitation
  - Public auction
  - Tender
  - Initial public offer

Privatisation methods

- “Non-traditional”
  - Sale to “insiders”
  - MBO/MEBO
  - Coupon/voucher

Summary evaluation

	Better company management	Speed	Access to resources	State income	Social acceptance
“Outsider” market sale	+	-	+	+	-
MBO	+?	+	?	-	-
MEBO	-	+	-	-	?
Coupons	-?	+	-?	-	+

Institutional environment

- Legal framework
- Soft budgets
- Soft banking

Conclusions

- No one privatisation method better than others on all counts
- Insider methods not good for economic efficiency
- Coupon systems not clearly advantageous
- Banking reform and elimination of subsidies needed to come sooner
- Outsider sales generate most efficiency but also greatest social dissatisfaction.