ABSTRACT: Since the beginning of the 1990’s several models of privatization have been applied in Serbia. While much was written concerning the models themselves at the time of their application, remarkably little has been written in regards to the assessment of their implementation over the last decade. The paper investigates the scope, types, and results, with an emphasis on this time period. Given that the official failure rate of privatizations undertaken is around one in four, the paper focuses on the weaknesses of the legal and economic aspects of the model, the weaknesses of the privatisation implementation, and the weaknesses in the monitoring of the privatization process. Another focus is on the inadequate attention paid to the need for institutional coherence, which led to results that were not in accord with the goals set out. The paper will also point out the areas of further research that, in the opinion of the authors, should be undertaken in order to come to an assessment of privatization as the central and most important aspect of the transition.

KEY WORDS: privatization, property rights, socialist enterprises, transition

JEL CLASSIFICATION: P26, P31
1. INTRODUCTION

The transition in Serbia, of which privatization is surely the centrepiece, went through various phases due to many reasons, the most important being the wars in the former Yugoslavia and UN sanctions, as well as permanent political instability.

When analyzing the process of privatization one should be aware of its political ramifications. Indeed, it is our belief that the privatization process is predominantly politically determined, with institutions being formed anew to achieve political goals. Furthermore, we will argue that the political aspect of privatization was the primary factor that led to some or most of the institutional failures of privatization in Serbia. Given that privatization in any country undergoing transition is a process of large scale property rights transfer, as opposed to most privatizations in established market economies, it has long-term consequences regarding the economic and social structure, thereby creating political consequences that may block the completion of the transition process. In itself such a state of affairs may lead to prolonged stagnation, for reasons that will become apparent.

2. THE HISTORICAL LEGACY

Any student of the Yugoslav system of self-management is well acquainted with the hybrid system of a managed market economy with somewhat fuzzy property rights. A vast body of literature was produced over the years of the heyday of self-management, providing the literature in the field of comparative economic systems with both empirical and theoretical works of enduring value (Vanek, 1970, Estrin, 1984). The most important feature of this system was the right of use of firms’ funds by the managers and workers’ councils, within the bounds of the law and without the right of sale of the firms’ property and assets. It is also well known that there were various forms of political control and some elaborate plans to introduce a certain degree of planning through so-called ‘social compacts’ between firms. Nevertheless, the Yugoslav economy certainly resembled to a high degree a true market economy as opposed to a centrally planned economy. After all, central planning had been done away with in the 1960’s.

Therefore, the most important characteristic of the Yugoslav system was that it empowered employees and provided them with the belief that they ‘owned’ the enterprises that they were employed in. One cannot stress this feature enough,
as it proved to be the single largest constraint at the beginning of the process of privatization. This may sound somewhat contradictory, since the experience of a market economy and previous market reforms should have been an advantage for proceeding with privatization. In other words, the natural way to proceed would have been a model of privatization suited to the political and socioeconomic constraints stemming from the social reality inherited at the starting point of the privatization process.

Indeed, the first efforts at privatization were geared in that direction (Zec et al,1994). This short-lived effort was primarily aimed at defining property rights; that is, at setting up a legal framework for the incorporation of firms in order to define property rights, after which a model of insider privatization could be applied. The liberalization and macroeconomic stabilization that accompanied it, as well as the founding of the stock exchange, were all steps in creating the foundations for the privatization process that was to come. In fact, the Act on Financial Operations and Laws on Social Capital, passed in 1989, enabled a model of insider employee privatization. The shares of enterprises were sold at a 30% discount to present and former employees. Each year of employment gave the workers a 1% discount up to a total maximum discount of 70%. Although this approach barely took off, given the deteriorating political situation that turned into armed conflict and UN sanctions, some 1,220 enterprises began the process of privatization.

Given the conflicts, sanctions, and demise of the Yugoslav federation, all of the republics embarked on their own roads to privatization by passing their own laws in order to regulate this process. In 1991 Serbia adopted a Law on Conditions and Procedures to Transform Collective Property into other Forms of Property. This allowed for the privatization of ‘social capital’ and nonstate-owned firms whose ownership was ‘transformed’ into ownership by state or local privatization authorities. Furthermore, privatization was not mandatory. The approach did not stray from the general philosophy of employee privatization, but had more restrictive conditions. Employees got a 20% discount, with 1% for each year of employment up to a maximum of 60%, with a five-year repayment period. A cap on the maximum worth of shares was introduced amounting to the sum of DM (Deutsch Mark) 20,000 for individual workers and 30,000 per manager. The privatizations begun under the previous law had to adjust to the new legislation. From August 1991, when this new law came into effect, until the spring of 1994, only 668 enterprises had commenced the privatization process. Almost double that number had begun the privatization process on the basis of the previous federal legislation. In any case, half a million workers became shareholders, with
the overall structure of capital in these firms being 80% private and 20% social (Uvalić, 2010, p.65).

The legislation provided for revaluation of capital on a yearly basis. However, due to record hyperinflation, the process became a giveaway and became politically unacceptable. In fact it was the opposition party (the Democratic Party- under the leadership of Đinđić) that proposed amendments on capital revaluation in order to rectify the drastic gap being formed between a realistic share value and inflationary undervalued company shares. The ruling party (Socialist Party of Serbia- under the leadership of Slobodan Milošević) not only adopted these amendments but also used the application of revaluation coefficients in such a way as to basically annul the whole process. The coefficients grossly overvalued social capital, drastically reducing the share of privatized capital. At the end of the process enterprises were left with between 1%-40% of private capital, with firms that had started the privatization process in 1993 having private ownership reduced to 1%-2% of total capital (Vujačić, 1996.pp 398-9). Thus, in effect, the whole privatization process up to that point had been reversed or significantly set back. There are differing opinions on whether or not this policy was wrong. Certainly it led to broad discouragement and great reservations in regards to the continuation of privatization. The process was basically halted and compromised. Along with this process, a process of nationalizing social capital began with large enterprises and public utilities becoming state–owned as opposed to socially-owned firms.

It is difficult to see how the privatization process could have gone forward under the exceptional circumstances of sanctions, war, and hyperinflation without breeding extreme and broadly based political resentment. The only realistic option in those circumstances would have been to adopt a model of direct or indirect giveaway; that is, a model that would have been based on property rights transfer. This did not occur. Instead, new privatization legislation was passed in 1997 (Petrović, J., and Vujačić, I., 1997).

According to the new law, after valuation 10% of company shares would be transferred to the State Pension Fund, after which employees or former employees would receive an amount of shares in their companies to the extent of DM 400 per year of employment, limited to 60% of the total capital. If the limit was not reached, any citizen (age 18 or above) could also receive these shares on equal terms. The second round would allow employees to purchase shares at a 20% discount with an extra 1% discount for each year of employment, up to the limit of 60%. Individual employees had the right to purchase these shares up to the
amount of DM 6000 and with a repayment period of up to six years. Proceeds from the sales were to be divided equally between the Pension Fund and the Employment Fund, with the remaining 50% going to the Development Fund. Unsold shares were to be ascribed to the Shareholder Fund. Only some 400 enterprises began privatization under the new 1997 legislation. The major reason for lack of interest was not only disbelief in the process due to previous revisions of legislation and the effective annulment of privatization, but also the exchange rate. With the market exchange rate being multiple times over the official rate and the evaluation of firms being done at the market rate, there was very little incentive for employees to pursue privatization on their own initiative. This went on till the very end of the Milošević regime.

3. THE NEW MODEL

The radical push for privatization began only after the interim government was formed after the democratic revolution in October 2000. Between that time and the formation of the new government by the Democratic Opposition of Serbia (DOS) another 350 enterprises chose to enter the privatization process, bringing the total to 778 under the 1997 privatization procedures (Uvalić, 2010, p 97). The main reason for this was the exchange rate, which was devalued in order to bring it in line with the market rate (at 30 dinars to 1 DM). The other probable reason can be found in the uncertainty concerning new privatization legislation. Certainly, and with good reason, employees anticipated that the new law on privatization would limit their rights and benefits. In other words, the existing legislation, along with an exchange rate that would guarantee a decent percentage of shares in their firms, gave an extra impetus to employees of relatively solid medium sized firms to initiate the privatization process. One should therefore keep in mind that most of the firms privatized according to this method belong to the group of better performing companies. This must not be neglected when evaluating the results of the privatization that followed. At the moment the failure rate of privatization since 2001 is high, and would probably be lower if the previous privatizations were to be taken into account.

The Privatization Law passed in 2001 was heavily influenced by the leadership’s perception of the political nature of the process. Firstly, the privatization process was seen as an opportunity for a clean break with the past system of self-management and the ensuing models of insider employee privatizations that had been judged as inadequate up to that point. Not only were the results seen as modest, but also the model itself was seen as a perpetuation of the inherited
system. The model retained the dominant role of insiders, which was seen as an impediment to better corporate governance, considered to be of vital importance in a fully fledged functioning market economy. The fact that the process of insider employee privatizations had been reversed by political action and hindered by a lack of employee motivation only confirmed the belief of the reformers that a radically different approach was necessary.

Furthermore, privatization was seen as crucial in making the process of reform irreversible. In other words, divorce of management and ownership from employee management was seen as a definite break with self-management and simultaneously as a blow to past, entrenched interests that could at some point rally around the opposition (primarily the socialists and radicals). No matter what one may think of self-management (and the democratic opposition had been ideologically opposed to it from the beginning) it must not be forgotten that the system had been much compromised during the 90s, with the managers in a dominant position to abuse social property and quietly strip assets for their own benefit, and to provide both material and moral support to the regime.

Finally, having inherited a devastated economy and a country on the verge of bankruptcy, the reasons for an approach based on sales were seen as one that would enable the recuperation of the state budget. Also, it could provide for potential investment in infrastructure and funds for social services. In other words, the proceeds could help the functioning of the social safety net in the process of transition. It is not surprising, therefore, that the proceeds from privatization were to be allocated to the state budget (75%), the Restitution Fund (5%), the Pension Fund (10%) and the Infrastructure Fund (10%).

The model based on sales was adopted and provided for two types of sales: tenders and auctions. Tenders were to be applied to large enterprises with the hope of attracting large foreign strategic investors that would bring know-how, efficient management, export markets, and the like. Auctions were meant for smaller and medium sized enterprises. Another 75 large enterprises that were state owned were meant to undergo restructuring, after which they would be privatized through a tender procedure.

It must be stressed that within the tender process the offered price was not the sole determining factor, because future investment, the social programme, and the environmental programme were also to be taken into consideration. In itself this should not have been problematic, since all of these could be converted to a monetary equivalent. The weights to be ascribed could, however, be politically
motivated, while the fulfilment of obligations needed monitoring and oversight. The social programme was supposed to either provide compensation for loss of employment or to guarantee the workers employment for a prolonged period of time. In this way mass unemployment was to be avoided in the process of restructuring after privatization. It was assumed that overall there would be around 150-200 tenders so that the processes and outcomes could be controlled. In reality the number of tenders (public offerings) was close to 300.

On the other hand the outcome of auctions was to be determined solely by price. They were to be transparent, and the hope was that insiders would not be the main actors in the process. The legislation did not prohibit employee participation, but it did make the privatization process mandatory.

Recognizing the constraints of the previous privatization legislation, the model provided for a free distribution of up to 30% of total shares to employees, former employees, and citizens. Each employee or citizen would acquire DM400 per year of employment up to a limit of DM14,000 free of charge only after the completion of the sale (70%). This was supposed to pacify resistance and give the employees a stake in the privatized firms.

The companies that had embarked on privatization in the previous period were stopped from distributing shares in the second round, but transferred the remaining shares into the Share Fund. The Share Fund was to sell these undistributed shares at the request of the Privatization Agency, with the idea that their value would be based on the market value determined on the stock market. The Share Fund was obliged to sell these shares, either on the stock market or by auction, within six years.

The Privatization Agency was to run the privatization process and to be divorced from the Ministry. Its main task was to promote, initiate, carry out, and control the privatization process. The Ministry was to participate in the forming of tender commissions, oversee the process, and set policy.

4. THE MODEL AND INSTITUTIONAL FAILURE

The model adopted was by its very nature incompatible with its objectives. The basic flaws were embedded in the model of sale and tender. By definition models based on sale, with the expectation of significant revenue, need a market with a strong demand side. This was obviously lacking. The first interest in tender
privatization came from some of the foreign firms that had already shown interest under the Milošević regime, the most prominent example being Lafarge.

The firms that were attractive for purchase were profitable, cheap by western standards, and could be easily restructured. Most of these were in the sectors of cement, breweries, steel, and similar enterprises. The goal was either cheap acquisition and/or market share. This is, of course, natural, since it is easy to sell off good firms as opposed to those which are less profitable or on the verge of bankruptcy. Acquisitions by foreign flagship companies were also supposed to be a sign that Serbia was business friendly with a pro-business government, thus hopefully attracting new investors into the privatization process.

The tender process itself was more or less straightforward, in the sense that only legal entities could bid and in this case large enterprises were the object of privatization. Certain firms might have an advantage, given that the tender conditions could be designed to favour certain large foreign enterprises. However, foreign consultants were part of the valuation process and helped to set the conditions of tender. The process was transparent and in the public spotlight, thus ensuring that the process itself would be completed without wrongdoing.

The other disadvantage stems from the length of the process. In order for a firm to be sold it is necessary to establish a price. Therefore procedures required that firms be evaluated by licensed evaluators, after which a Dutch auction would be held. There were 7,000 firms that needed to undergo the privatization process and a limited number of evaluators, so the process would take time.

The government could not have a massive sale, achieve a favourable price, and complete, or even initiate, the process speedily. The government should have been aware of the limitations of the model, and should have sacrificed either the idea of a massive sale or the expectation that this process could be done with haste. Given what actually occurred, it fell short of both of its objectives.

After becoming aware that the process of privatization was not moving rapidly, the model was amended in August 2002, changing the methodology of auction and of valuation of firms. These amendments were done through ordinances and fundamentally changed the rules which had guided the process to that point. Instead of valuation the starting price was determined by corrected book value, and the auction method was changed to the English auction or ascending bid, with the bidding starting at 80% of the determined value.
This revision did speed up the process, as obviously speed had become the priority (Mijatović, 2005). Although the valuations might have reached prices that were too high, given the lack of demand, this was the very reason that Dutch auctions had been introduced. The corrected book value gave an advantage to insiders (mostly management), as they were in a better position to correctly estimate the firm’s real worth. In this way insider information became a more important factor than it would have been otherwise. In other words, an incentive was given to insider and management buy-out privatization, based on drastically asymmetric information, possessed by few. Insider employee and/or management buy-outs were what the original model was meant to avoid. The scrapping of valuation led to another problem not related to pricing, which could have been set independently. The lack of valuation practically eliminated basic due diligence, leading to problems of unrecognized contaminated assets, the true state of equipment, etc.; problems that surfaced after the completion of the privatization process.

The other disadvantage of this approach of starting at a low price (in general the book value is lower than that assessed through evaluation), was that in the public mind it was seen as a garage sale in which enterprises would be sold well beneath their true value. This planted a seed of resentment and grew the attitude that privatization amounted to theft. The explanation that the price was determined in a transparent process and was a market price did nothing to alleviate this broad-based public perception: to the contrary, it has become even more widespread and ingrained.

The true flaws of the model, i.e., its application, were related to several interdependent institutional flaws, as well as the auction process itself. The institutional flaws related to:

1) Lack of adequate controls on money laundering and the origins of capital
2) The lack of legislation concerning restitution and
3) The lack of adequate valuation and regulation of urban land use.

The first issue of dubious origins of wealth and potential money laundering were not adequately dealt with (Milovanović, 2007). The political issue of whether or not to allow the individuals who had enriched themselves during the 1990s by close ties with the regime and/or criminal activities was not really addressed. The only effort was made by Prime Minister Đindić when he proposed a law on ‘extra profit’. The central idea of this was to tax some of the individuals who had enriched themselves over the years of sanctions and war, and to thus make a clean break
with the past. The idea was to settle the whole question of so-called ‘tycoons’. For various reasons of a political nature there was resistance, both from the governing institutions and from some of the wealthy individuals in question, and this effort failed. This has left Serbia with a problematic legacy that is still present today. Wealthy businessmen are seen as ‘tycoons’ or ‘entrepreneurs’, according to which is politically advantageous to the political actors. In the meantime the fact that Serbia has lacked a suitable and enforceable political party finance law over the last decade has lead to a widespread suspicion that there is a strong bond between wealthy businessmen and the political leadership which fosters corruption and shapes legislation.

That money laundering in the privatization process has not been adequately dealt with is worse. This has led to privatizations in which individuals widely suspected of criminal activity have used their wealth to purchase firms. This was apparent in cases at the very start of the privatization process, leading to understandable reservations on the part of the public regarding the process itself. The recent revelations of money laundering of narcotics trade revenues through privatization and/or the purchase of firms has only added to the widespread view that privatization is detrimental to society. That the latest estimates of the amounts laundered through privatization and/or purchase of firms run into hundreds of millions of euros certainly points to the failure of the government to monitor privatization and the economy.

The lack of legislation at the very beginning of the transition regarding restitution is understandable. Restitution needs consensus on adequate legislation, can be difficult to implement, and requires funds that are lacking. Furthermore, the government had numerous more pressing tasks to attend to. Nevertheless, the percentage of revenue from privatization proceeds ascribed at only 5% to the Restitution Fund should have been seen as inadequate. Certainly, no one should have nurtured the illusion that in the end restitution could be avoided or dealt with later in a symbolic way, making a mockery of the very idea that underlies it. This is also connected to the denationalization of urban land use, which has in its own way affected the privatization process. In truth, all the governments since 2000 had avoided facing the issue, until the current government was forced to come up with a proposal under pressure from the EU accession process; restitution being one of the major issues that needs to be conceptually dealt with as a condition for obtaining candidate status.

Finally, urban land use turned out to be a major motive in privatization in many cases, thus making the purchase and future of certain firms almost a side issue.
The inherited system did not ascribe urban land to the firms that occupied it, but rather gave them use instead of ownership. As urban land had been nationalized, the issue is closely linked to restitution. The failure to deal with this issue proved to be one of the major flaws in the privatization process. Although it does not make sense for industrial plants and storage facilities to be placed on prime urban land, nor does it not make sense to neglect it in the valuation of the firms.

The logical way was probably to transfer the land to the firms, thus adding value to the firms to be privatized. At the same time a large part of the estimated value of the land could be ascribed to the Restitution Fund, thus providing for a broader base from which to address the issue. This should have been a clear option from the very beginning. What occurred was that in a large number of cases privatization was pursued for the sole purpose of acquiring urban land use for further development and building real estate, mostly apartments, at a huge profit. The lack of regulation in this area opened the way to potential and real large-scale corruption, insider information dealing, and bribes for building permits. That the original model neglected this potential outcome proved to be one of its major flaws. There is no easily available data on the number of firms purchased for this sole purpose, but it certainly deserves to be on the research agenda.

Above all, the auction process itself was fundamentally flawed in several ways. The most important of these had to do with the existence of what basically came down to dual prices. In effect, participants in the auctions could be either legal entities that were obliged to pay the price attained by auction immediately, or individual citizens who had the opportunity to pay in six yearly instalments. Obviously this leads to dual prices, individuals getting the benefit of a lower price by being able to postpone payment into the future at zero interest (although the price was set in euros).

The fact that all the individual buyer had to provide was a letter of guarantee from a bank or cash, had deep and dire consequences for the whole privatization process. At that point in time the origin of wealth did not come under scrutiny. This led to some individual purchases of firms by individuals being used as proxies for other wealthy businessmen who wished to remain out of the spotlight. In some cases, as we see now, some of these purchases were used for money laundering; i.e., making illegal wealth legitimate. There were also management and employee buy-outs, in which individuals took on personal debt. The major flaw of this model was that after the first instalment (or at any point further down the road till full payment), the new owners could simply drop out of the process by not meeting scheduled payments. It can be assumed that in a significant
number of cases it was the property and tangible assets of the firm that were of main interest to the bidders. Even if, for example, the firm was later dislocated and the urban land used for residential construction, this usually meant that the buyer would be getting the firm for free and achieving a huge profit without any significant improvements in the firm’s capabilities or market performance.

This led to several types of fraud. One method was to use the firm as collateral in order to obtain more credit, pump out a large sum in cash, and purchase another firm in the privatization process, again as an individual. After that the first privatized firm could be returned to the Privatization Agency by not paying the second instalment. In the meantime, assets would be striped. Another approach would be to use the firm as a legal entity to purchase another firm in the privatization process (once again using the original first firm as collateral). The second purchased firm could again be used to obtain credit, which could then be used to either repay the individual debt on the first firm or to purchase another in the on-going quick paced process of privatization. This led to the formation of conglomerates that were based on a type of Ponzi scheme.

Further research should look at the price bid in relation to the starting price and the subsequent fate of the privatization process on a case-by-case basis. There is reason to suspect that behind the very high bids, tangible assets (for example, office space) or urban land use were the primary motives. It would also be worthwhile to see whether there is a high correspondence between high privatization bids and the subsequent annulment of contracts with the Privatization Agency.

5. CONCLUDING FINDINGS

Looking at Table 1, we can see that some of our broad hypothesis concerning the auction process cannot be dismissed at first glance. The prices reached at auction in the case of annulled privatizations were 43% above the book value, while for the others they were below book value with the price to book value ratio at 0.90. Searching through the Privatization Agency database we found that approximately 40% of annulled auctions were due to failure to meet instalment payments for the privatized firms.

On the other hand, those individuals who were not in the privatization process for dubious reasons had an on-going obligation to maintain core business economic activity at the level reached at the time of purchase. This was meant to preserve employment, but it actually put a lot of the strain on management, at
times becoming an impediment to restructuring. In fact close to 25% of annulled privatizations were due to the new owners not keeping the level of activity of the core business, or more generally not preserving the continuity of the business. This is worth looking into more seriously, as in some cases there might have been good reason for broader adjustments due to market conditions. In retrospect, some cases may have been due to mistakes on the part of the Privatization Agency.

Nor was the auction process immune from dealing in inside information. Obtaining knowledge of how many and which parties had shown interest in the auction of a certain firm could lead to price collusion. Furthermore, having the process proceeding in a criminalized environment could lead to pressure on those that had shown interest and to extortion and racketeering. Finally, the failure of auctions for lack of a second bidder did not apply in the case of a second auction attempt. It is quite obvious that in that case the attained price would be extremely close to the starting price. In fact the data in Table 1,a summary of privatization results in the last decade, i.e., under the new model, support the conclusion that in the auction process the prices achieved were very close to book value.

A separate aspect, which we will not go into here for reasons of space, is the gaining of extra shares through the recapitalization process by investing in kind instead of cash. Specifically, this meant that appraised second hand equipment could be invested in the firm, increasing the number of shares of the owner and shrinking the proportion of minority shares, thus reducing their price for purchase at a later date. Protection of the rights of minority shareholders was practically non-existent. We shall not further pursue this issue here, nor shall we deal with the possibility of manipulating the shallow stock market in order to lower the price of shares pending a purchase from the Share Fund. Suffice it to say that such possibilities were present and should be a topic of further research.

The other results in Table 1 and Table 2 are in line with expectations. Again, stock market sales by the Share Fund had a high ratio of success (84%) in the firms that embarked on the process under earlier legislation. However, the price-to-book value ratio was lower than in the other cases - 0.68. As these should have been the better performing firms this requires some explanation. One of them could be that prices might have been manipulated for the benefit of the majority shareholders.

Over all, the results are unimpressive. The initial success of tenders stands at 41%. If we add the fact that 36 of these, whose combined value reached at auction was around 1/3 of the total tender sales, had their contract annulled, the only
The conclusion is that these results are unsatisfactory. In the case of auctions, although the success rate was somewhat higher (64%), the combined value reached at auction of those whose contracts were later annulled was around 50% of the total value reached in auctions.

The investment and social programme obligations stemming from the privatization process were of some significance in the tender privatization, but of very little in the privatizations carried out through auction. These are presented in Table 2. They do not significantly change the overall conclusions, although some contracts were nullified due to non-fulfilment of the social programme (about 50 in all).

Research on what actually occurred during the privatization process of the past decade requires an elaborate research agenda. This agenda should include not only the interaction of the flaws listed here, but also the effects on corporate governance, efficiency, product development, and other aspects of the privatized firms. Case studies would certainly be welcome. It is surprising that very little research has been done on this topic over the last five years, and we hope that this paper will inspire further research. This is important because privatization has not been completed. On the contrary, formerly privatized firms are being returned to state ownership and the Privatization Agency. Hopefully some lessons have been learned. However, given the record of the past decade and against the background of the last economic crisis, privatization as a process that society will benefit from will be extremely difficult to sell to a disenchanted public.
Table 1 Privatization Results for the Period 2002-2011

<table>
<thead>
<tr>
<th>Cumulative</th>
<th>No. of public offerings</th>
<th>Sum offered</th>
<th>% of success</th>
<th>Sold or/ annulled</th>
<th>Number employed</th>
<th>Book value (B)</th>
<th>Purchase price (P)</th>
<th>P/B</th>
<th>Investment</th>
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<tr>
<td>Sum 2002-2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Tenders (T)</td>
<td>299</td>
<td>218</td>
<td>41%</td>
<td>90</td>
<td>68.211</td>
<td>926.425</td>
<td>1.098.969</td>
<td>1.19</td>
<td>937.560</td>
</tr>
<tr>
<td>Tenders –annulled</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Auctions (A)</td>
<td>4.053</td>
<td>2.460</td>
<td>64%</td>
<td>1.563</td>
<td>130.061</td>
<td>978.206</td>
<td>882.160</td>
<td>0.90</td>
<td>202.284</td>
</tr>
<tr>
<td>Auctions- annulled</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenders + Auctions (T+A)</td>
<td>4.352</td>
<td>2.678</td>
<td>62%</td>
<td>1.564</td>
<td>198.272</td>
<td>1.904.631</td>
<td>1.981.129</td>
<td>1.04</td>
<td>1.139.844</td>
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<td>Stock market(SM)</td>
<td>660</td>
<td>560</td>
<td>85%</td>
<td>560</td>
<td>115.172</td>
<td>512.159</td>
<td>526.308</td>
<td>1.03</td>
<td>5.902</td>
</tr>
<tr>
<td>Stock Mkt. previously annulled contracts (SMa)</td>
<td>259</td>
<td>170</td>
<td>21.046</td>
<td>92.873</td>
<td>100.280</td>
<td>1.08</td>
<td>0</td>
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<tr>
<td>Stock Mkt. previously privatized (SMp)</td>
<td>1.051</td>
<td>888</td>
<td>85.994</td>
<td>73.605</td>
<td>50.364</td>
<td>0.68</td>
<td>0</td>
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<tr>
<td>Total T+A+SM+SMa+SMp</td>
<td>3.597</td>
<td>2.384</td>
<td>66%</td>
<td>2.384</td>
<td>334.490</td>
<td>2.583.268</td>
<td>2.658.081</td>
<td>1.03</td>
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</tbody>
</table>

Note: Data provided by the Privatization Agency of the Republic of Serbia upon request of the authors. A further database of annulled contracts was provided on the basis of which calculations and a preliminary analysis by the authors, presented here, were carried out.
Table 2  Social Programme and Investment Programme Results in the Process of Privatization

<table>
<thead>
<tr>
<th>Sum 2002-2011</th>
<th>Social Programme (in 000 Euro)</th>
<th>I/B</th>
<th>S/B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenders (T)</td>
<td>276.689</td>
<td>1.01</td>
<td>0.30</td>
</tr>
<tr>
<td>Tenders – annulled</td>
<td>2.042</td>
<td>0.52</td>
<td>0.00</td>
</tr>
<tr>
<td>Auctions (A)</td>
<td>0.21</td>
<td>0.21</td>
<td></td>
</tr>
<tr>
<td>Auctions – annulled</td>
<td>0.22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenders + Auctions (T+A)</td>
<td>276.689</td>
<td>0.60</td>
<td>0.15</td>
</tr>
<tr>
<td>Stock Market (SM)</td>
<td>0</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>Stock mkt. previously annulled contracts (SMA)</td>
<td>0</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Stock mkt. previously privatized (SMp)</td>
<td>0</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>TOTAL T+A+SM+Sma+SMp</td>
<td>276.689</td>
<td>0.44</td>
<td>0.11</td>
</tr>
</tbody>
</table>

Source: Privatization Agency of the Republic of Serbia

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