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*Successful Policy Patterns in the
Enterprise Privatization in Central
and Eastern European Countries of
Transition*

Presented by

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SUCCESSFUL POLICY PATTERNS
IN THE PROCESS OF ENTERPRISE PRIVATISATION
IN CENTRAL AND EASTERN EUROPEAN COUNTRIES OF TRANSITION

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Abstract: The aim of this paper is to elaborate the political economy of privatisation and enterprise reform in Central and Eastern European Countries. I have analysed country specific factors of the policy process that can explain differences in enterprise restructuring. Restructuring is apparently more successful in some countries than others. There are significant and in research already confirmed economic insights like the positive effect of privatisation, outsider ownership and hard budget constraints. Additionally, I found explaining factors, which concern the institutional and organisational context of the reform. First results show that the organizational concentration of political competence to one main institution like the privatisation agency has a beneficial effect on the reform process so do the continuity in reform strategy or the sequence 'privatisation before restructuring'. There is a 'window of opportunity' too, because early and quick privatisation seems to be more successful than others.

1 Enterprise Privatisation in the Centre of Economic Reform

In the transition from a planned to a market economy, a radical change of economic structures takes place in Central and Eastern Europe (CEE) countries. Beside liberalisation and stabilisation, privatisation is not only one of the large reforms in transition, but also an indicator of the managed progress to a market economy. The reform of property rights and the following privatisation lead to a new order of ownership on enterprises and to a new distribution of disposal rights in enterprises. The creation of private disposal rights and its efficient use are essential conditions for the successful establishment of a market economy.

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Privatisation affects the management and restructuring of an enterprise as well as the economic growth of the entire economy. Therefore, enterprise restructuring is an appropriate measure to evaluate the enterprise privatisation process.

Grosfeld and Roland 1995 give a widely accepted definition of restructuring. They distinguish between defensive and strategic restructuring. Defensive restructuring contains downsizing of loss making and concentration on core economic activities as well as labour shedding. But defensive restructuring is to ensure only the existence of an enterprise. Whereas strategic restructuring, meaning investment in new know-how, technology and organisational capital, is survival-oriented and contains the development of competitiveness of a firm in the long run.¹ Nevertheless, the disposal of capital depends on capital market development, which is relatively weak in countries of transition.

Figure 1: EBRD Transition Index: Progress in Large Privatisation (P) and Restructuring of Enterprises (R)

Land	1995		1996		1997		1998		1999		2000		2001		2002	
	Privatisierung	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R
Bulgaria	2	2	2	2	3	2+	3	2+	3	2+	4-	2+	4-	2+	4-	2+
Czech Republic	4	3	4	3	4	3	4	3	4	3	4	3+	4	3+	4	3+
Estonia	4	3	4	3	4	3	4	3	4	3	4	3	4	3+	4	3+
Hungary	4	3	4	3	4	3	4	3+	4	3+	4	3+	4	3+	4	3+
Latvia	2	2	3	3	3	3-	3	3-	3	3-	3	3-	3	3-	3+	3-
Lithuania	3	2	3	3	3	3-	3	3-	3	3-	3	3-	3+	3-	4-	3
Poland	3	3	3	3	3+	3	3+	3	3+	3	3+	3	3+	3+	3+	3+
Romania	2	2	3	2	3-	2	3-	2	3-	2	3	2	3+	2	3+	2
Russia	3	2	3	2	3+	2	3+	2	3+	2-	3+	2	3+	2+	3+	2+
Slovakia	3	3	3	3	4	3-	4	3-	4	3	4	3	4	3	4	3
Slovenia	3	3	3	3	3+	3-	3+	3-	3+	3-	3	3-	3	3-	3	3
Ukraine	2	2	2	2	2+	2	2+	2	2+	2	3-	2	3	2	3	2

Sources: EBRD, Transition Reports 1995: 11; 1996: 11; 1997 (German edition): 14; 1998: 26; 1999: 24; 2000: 14; 2001: 14; 2002: 20. Valuation criteria reach from "1" to "4", at triple intervals (+/-), whereas "1" is less and "4" most progressed in reform.

¹ Carlin et al. 1995 defines restructuring as action that change the enterprise structure: 1. internal separation of mainly and minor economic activities, shut-down of unprofitable enterprise units and spinning-off of social assets, 2. employment reduction, reform of the incentive structures for managers and employees, 3. finding new markets and adaptation of product chains, 4. investments in modern equipments.

Privatisation is almost completed in nearly all analysed countries.² But, enterprise restructuring is apparently more successful in some countries than others (figure 1). So, I want to ask in what way these differences are a systemic result of reform policy.

An evaluation of the EBRD restructuring index shows that the most successful countries are Czech Republic, Hungary, Estonia and Poland. Moderately successful countries in enterprise restructuring are Slovakia, Latvia, Lithuania and Slovenia. Relatively less successful in restructuring is Bulgaria, Russia, Romania and Ukraine. Within these evaluation sets a qualitative graduation in enterprise restructuring have to be considered. This evaluation is summarised in the following figure.

Figure 2: Evaluation of the EBRD Restructuring Index

Most successful restructuring	Moderately successful restructuring	Less successful restructuring
Czech Republic and Hungary Estonia and Poland	Slovakia Latvia, Lithuania and Slovenia	Bulgaria and Russia Romania and Ukraine

Source: See Figure 1.

In the policy analysis of the privatisation process in transition countries I have taken potentially relevant factors into consideration that concern political design (formulation), political process (implementation), veto structures of target groups (influence by individual and collective actors) and the process organisation of privatisation (distribution of competence and power in the organisation of implementation). I would like to discuss only factors, which are endogenous in the privatisation policy process. In the interim, factors of initial conditions and of environmental (external) influence etc. are excluded.

Factors of political design include formulation of privatisation programme or plan, decision for the orientation to a particular privatisation model (west or east european model), decision for the sequence of privatisation

² The sample contains 12 transition countries in CEE and CIS which were not affected by war: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Slovenia and Ukraine in the period from 1988/89 to 2002.

and restructuring of firms and for the involvement of banks in enterprise restructuring. Factors of veto structures concern the dominance of insiders versus outsiders in enterprise privatisation and an emphasis on the insider position due to special rights of workers or managers councils. Factors of implementation/ policy process comprise privatisation methods, imposing of hard budget constraints, duration/ speed of privatisation and politically or technically motivated changes/ adaptations. Factors of process organisation contain the concentration of responsibility and competence on one (e.g. privatisation agency) or more privatisation institutions (decisions for a centralised or decentralised organisation of the privatisation process).

As it is shown in section 2 (Research Findings), research focus mainly factors of implementation: the impact of privatisation methods, ownership structure, hard budget constraints and other policy process exogenous factors on the ability of enterprises to restructure. Privatisation as policy analysis is relatively disregarded by research. With an analysis of country specific policy patterns in privatisation one can expect to find an extended explanation for restructuring differences. My question is: Which alternative policy pattern is responsible for a successful transition?

2 Research Findings

An important research discourse is the comparison of different privatisation methods in transition countries. There are two main topics of argumentation, which are orientated to the instruments of mass privatisation and of direct sales, influenced by privatisation actors (insider, outsider).³ The advantage of mass privatisation is to finish the privatisation within a short period. Despite the lack of capital, citizens take part as stakeholders of the home economy. Furthermore, this method helps to irreversibly push through the process of transition (see Blanchard

et al. 1991, Lipton/ Sachs 1990, Frydman/ Rapaczynski 1994, Roland 2000). In contrast, the instrument of direct sales will achieve higher economic efficiency and increases in earnings (see Kornai 1990, Pohl et al. 1997, Bolton/ Roland 1992, Katz/ Owen 1997).

Apart from this discussion, research is concentrated on the specific impacts of privatisation methods on corporate governance⁴ of privatised enterprises and on the restructuring of the outcomes (see Aghion/ Blanchard 1998, Aghion/ Carlin 1997, Anderson et al. 1997, Mallin 2000, Schüsselbauer 1999, Walsh/ Whelan 2001). Two fundamental findings are: a) a positive influence on the increase of earnings and productivity in case of privatisation to outsider, particularly to foreign investors (Frydman et al. 1999). b) an important distinction between strategic and defensive restructuring: mainly outsider-privatised enterprises were restructured in a strategic way. This evidence is shown by a higher increase in earnings in contrast to state-owned and insider-privatised firms (Grosfeld/ Roland 1995).

Further findings show that privatisation itself results in extended restructuring and significant increases in corporate earnings of enterprises. In comparison, privatised enterprises reach a significantly higher labour productivity than still state-owned ones. A limitation on wage increases below the productivity growth rate brings about higher cash flows and investments. Change in ownership structure itself removes cost inefficiencies. But, that effect is less important because of significant cost restructuring in privatised as well as in state-owned firms. The discussed correlation of privatisation and improved restructuring and performance of enterprises for the CIS (Commonwealth of Independent States) countries is statistically insignificant (Djankov/ Murrell 2002;

³ Insiders are managers or employees of an enterprise. Whereas outsiders are those who do not belong to the enterprise which are disposed for privatisation.

⁴ The term corporate governance contains control in the sense of strategic leadership in an enterprise. This resulted from the internal relationship between owners and management. Corporate governance describes the quality of internal leadership of an enterprise. Good corporate governance have enterprises which have an obvious financial discipline (hard budget constraints), economic success (survivalness, restructuring, competitiveness, rentability), transparency (of decisions, information) and responsibility (towards owners, investors).

Djankov/ Pohl 1997; Frydman et al. 1997, 1999; Grosfeld/ Nivet 1997; Jones/ Mygind 2001; Konings 1997; Megginson/ Netter 2001; Perevalov et al. 2000; Pohl et al. 1997; Earle/ Telegdy 2002).

According to Djankov/ Murrell 2002, the state as owner restructures less effectively than other types of ownership except for employee ownership. In contrast to complete insider or strongly diversified outsider ownership, a state minority share on ownership has a positive impact in privatised enterprises. Additionally, firms with highly concentrated ownership restructure more intensely than wide spread individual ones. Regional differences in restructuring capability arise between CEE and CIS countries: in CEE employees do better restructure than other forms of ownership, whereas in CIS it is banks and concentrated individual property. But, hard budget constraints have an ameliorating effect on restructuring in both regions (Claessens et al. 1996, 1999; Djankov/ Murrell 2002; Estrin et al. 2000; Pivovarsky 2001; Pohl et al. 1997). Coricelli/ Djankov 2001 demonstrate that hard budget constraints set on enterprises support defensive restructuring. Strategic restructuring requires external financing.

An instrumental and beneficial condition for restructuring is to privatise enterprises in a short period: "Our findings support the view that the main objective of privatisation programs should be the speedy transformation of ownership, not the selection of perfect owners" (Djankov/ Pohl 1997; Pohl et al. 1997). A further important decision of governments is the sequence of 'privatisation' and 'restructuring' of firms. It is a question of cost distribution and of specified criteria for investors (Megginson/ Netter 2001).

3 Privatisation Process

3.1 Policy Design

Policy Design includes enactment and amendment of privatisation laws and decrees, decisions for the imitation of an external model, for the sequencing of privatisation and restructuring as well as for bank involvement in enterprise restructuring (figure 3). Less considered in this paper but influencing the decisions of privatisation actors for a particular strategy are the objectives and preferences of privatisation. Great importance was attached to process efficiency, speed, political and distributional justice, social acceptance or maximising proceeds.

Figure 3: Factors of Policy Formulation in the Privatisation Process

Country	Important Laws and Programmes in Large Privatisation	Orientation to External Models	Sequencing of Privatisation (P) and Restructuring (R)	Bank Involvem. in Enterprise Restr.
Bulgaria	06/91, 04/92, 03/98, 03/02	Czech Model	R prior to P	No
Czech Republic	02, 09/91, 04/92	No	P prior to R until 1993	No
Estonia	06/91, 12/90, 06/93, 08/94	German Treuhand Model	P prior to R until 1993, after 1993 R prior to P	Yes
Hungary	III quarter/88, 89, 07/90, 06/92, 94, 05/95	Similar to the method of German Treuhand, but no direct reference	R prior to P	Yes
Latvia	03/91, 03 + 06/92, 02/94	German Treuhand Model	P prior to R	No
Lithuania	02/91, 11/97	No	R prior to P	No
Poland	09/81, 04 + 07/90, 04/93, 08/96	Capital privatisation is oriented to Great Britain, World Bank	R prior to P	Yes
Romania	08/91, 06/95, 05/99	EU, World Bank, IMF	R prior to P Plan: 10% p.a.	No
Russia	07/91, 06/92, 04 + 05 + 07/97	Balcerowicz Plan, voucher privatisation is oriented to the Czech Model	R prior to P	No
Slovakia	02 + 09/91, 04/92, 07/95, 09/95 09/99	No	P prior to R until 1993, after 1998 R prior to P	No
Slovenia	11/92, 06/93, 11/94, 04/98	No	R prior to P	Yes
Ukraine	10/91, 03 + 04 + 06 + 07/92, 07/93, 01/94	No	R prior to P	No

Sources: All details are taken from EBRD Transition Reports 1995-2002 and from different papers and books that are listed at the end of the paper (See list of references).

All countries enacted a first law/ decree about the reform of property rights and privatisation of enterprises between 1990 and 1992. Later on laws were several times amended and further special laws enacted, e.g. for restitution of expropriated property after World War II. In Poland and Hungary economic reform of the enterprise sector took already place before 1989.

Some of the analysed countries have chosen to imitate an external model for privatisation. Not only west european institutions were hold up as a model, but also east european ones. Bulgaria and Russia decided for the Czech Voucher model in a later period of privatisation. Estonia and Latvia adopted the German Treuhand model. Poland was orientated to the British model and later on to the World Bank model whereas Romania adopted the latter at the very beginning of privatisation. The adaptation of external models worked differently.

Concerning the sequencing of privatisation and restructuring, Czech Republic, Estonia, Latvia and Slovakia decided for privatisation prior to restructuring. The involvement of banks in enterprise restructuring is of great importance concerning hard budget constraints. Estonia, Hungary, Poland and Slovenia performed bank involvement successfully. Furthermore, in Poland the banking sector was privatised and restructured simultaneously to enterprises.

3.2 Policy Process/ Implementation

Although in all analysed countries a first privatisation law was enacted between 1990 and 1993 differences occur in its implementation. Whereas Czech Republic, Estonia and Hungary executed a concrete privatisation programme immediately, Latvia, Lithuania, Poland, Slovakia and Ukraine delayed implementation of the privatisation law until 1994/95. In Russia, most of large enterprises except for monopolistic ones were also privatised in a short period. Special cases represent Romania (10% of all enterprises p.a.) and Slovenia because of a chosen gradualist reform

strategy. Privatisation proceeded slowly in both countries but with divergent consequences concerning the development of the whole economy. The process of implementation took more than ten years in nearly all countries with the exception of Czech Republic, Estonia, Hungary and Slovakia.

In principle four different privatisation methods are put to use (figure 4). It can be differentiated between the way of disposal (direct sales vs. mass privatisation) and the target group of privatisation (insider vs. outsider). Voucher privatisation to insiders is the method of management-employee-buy-outs (MEBO), and to outsiders the so called voucher privatisation (VP) where citizens got enterprise shares by means of sale or free distribution of vouchers, in some countries arranged by intermediary funds or agencies. Direct sales to insiders are management-buy-outs (MBO). Domestic and foreign outsiders took part in auctions or public offerings (DS).

*Figure 4: Privatisation Methods in Central and Eastern Europe**

	Insider	Outsider
Mass Privatisation	Management-Employee-Buyouts through Voucher Privatisation	Voucher Privatisation, Privatisation through Funds and Agencies, Sales or Free Distribution of Shares to Citizens
Direct Sales	Management-Buyouts	Direct Sales, Auctions and Public Offerings to Domestic and Foreign investors

*Besides the discussed methods restitution and leasing of property are also used in the privatisation process, but they are not assignable to figure 4.

The term "primary" or "secondary" depends on how often a method was used in the whole privatisation process (defined by EBRD). Bulgaria, Estonia, Hungary, Latvia and Poland have chosen direct sales as primary method for enterprise privatisation. Whereas Czech Republic, Lithuania, Russia and Slovakia decided for voucher privatisation and Romania, Slovenia and Ukraine for management-employee-buy-outs (figure 5).

The privatisation process can be subdivided into several phases by technical adaptations or political motivated changes. With technical adaptations, privatisation actors continuously evaluated settings of the privatisation process. Whereas political motivated changes potentially missed privatisation requirements caused by ideological motives. A switch

in privatisation strategy resulted in a change of methods or in an additional intensified phase of privatisation.

Figure 5: Factors of the Policy Process in Central and Eastern European Enterprise Privatisation

Country	Primary Privatisation Methods	Secondary Privatisation Methods	Duration of Privatisation in Years	Adaptations and Changes
Bulgaria	1) DS 02/93-12/95 2) MEBO 10/94-09/96 3) DS 03-05/97	1) VP 10/96-07/97 IF 2) VP 98 3) VP MEBO 07/98- Capital markets	> 10	mainly political motivated
Czech Republic	1) VP 04/92-12/92 2) VP 10/93-10/94	DS -max.95/96	ca. 4-5	technical oriented
Estonia	Pilot Project 91-92 1) DS 11/92-96 2) DS 96-00	VP is irrelevant for enterprise privatisation	ca. 6	mainly technical oriented
Hungary	Spontaneous P 88-90 1) DS 03/90-12/90 2) DS 91-92 Selfpriv 3) DS 95-97	1) DS-EBO 92-94 2) VP+MEBO 93-94	ca. 8	political motivated
Latvia	DS 06/92- DS Liquid. 96-98 DS Liquid. 98-	VP is irrelevant for enterprise privatisation	10	mainly political motivated until 94/95
Lithuania	VP AUCTION 09/91-06/95	DS 08/96-97 05/98	> 10	technical oriented
Poland	DS Capital Priv.+ Liquidation 90-97	VP 07/95-Ende 97	>10	political + technical oriented
Romania	1) MEBO Pilot Project 93 2) MEBO 94-	VP 09/91-94 VP 08/95- DS 91-	>10	na
Russia	VP MEBO 10/92-06/94	1) DS 07/94-97 2) DS 97-00 3) DS 06/01-	> 10	na
Slovakia	DS/ MBO 09/93-09/95 DS Tender 10/98-	1) VP 04/92-12/92 2) VP 10/93-11/95	> 7	na
Slovenia	MEBO 93-98 DS 98-	VP 01/95-mid97	> 10	mainly political motivated until 94
Ukraine	MEBO+Leasing 91-93 case- by-case VP 11/94-96	1) DS 03-07/94 2) DS 99-	> 10	na

Sources: Details about the primary and secondary methods are taken from EBRD Transition Reports 1995-2002. Primary or secondary means the frequency of usage. The details of the added duration of each privatisation period, the duration of privatisation in total as well as the strategic adaptation are taken from other sources (See list of references).

3.3 Organisation of the Privatisation Process

Responsibility and competence for the execution of privatisation programmes are partly defined by law or other regulations. In Estonia, Czech Republic, Hungary and Slovakia the coordination of privatisation activities were concentrate on one main institution (agency or ministry for privatisation) at the very beginning.

Figure 6: Organisation and Competencies in Privatisation Procedures

Country	Institutions Involved	Foundation of Privatisation Agency (PA) or Funds (PF)	Competence for strategic decisions in the organisation of procedures
Bulgaria	Min of Ind, Trade + Service, Municipalities, BPA, 81 PF, Centre of MassP, Parliament, Council of Min, Security + Stock Exchange Commission	1. PA 02/91, 2. BPA 10/92- PF 96	decentralised
Czech Republic	PrivMin, FinMin, NPF, VP Center, IPF >400	NPF 91	centralised
Estonia	SPA, EPE, EPA, EconMin, since 93 FinMin	SPA 10/90 EPE 08/92 EPA 08/93 G, + 01/94-01	centralised
Hungary	HSHC, SPA, SPF, Enterprise Managements	SPA 03/90, HSHC 92 Fusion SPA +HSHC 95, SPF 05/95	decentralised
Latvia	PrivMin, LPA	LPA 04/94-	decentralised until 94, later on centralised
Lithuania	Property + PrivDepartm, EconMin, SPF, Priv. Commission	SPF 04/98-	decentralised until 98, later on centralised
Poland	Priv.Min., 15 NIFs in VP, Worker Councils	NIF 12/94	centralised in VP , otherwise more decentralised
Romania	Council for Coord., Strategy + Econ. Reform, NAP, SOF, 5 regional POFs	NAP 91, SOF + POFs 92 PA 01/01	decentralised
Russia	State Committee, Priv.Min, RPF, Enterprise Managements, VIFs	RPF 91 (without relevance)	decentralised
Slovakia	Priv.Min, FinMin., NPF, IPF >400	NPF 91	centralised
Slovenia	Regional Developm, National + Pension Funds, State Compensation Fund, PIFs, Worker Councils		decentralised
Ukraine	Priv.Commission, SPF, EconMin, Min. Cabinet, Local Council Min, Worker Councils, Enterprise Managements, USEC, UCSFM	SPF 07/92 USEC 95 UCSFM 98	decentralised

Sources: All details are taken from different papers and books that are listed at the end of the paper (See list of references). Abbreviations see Appendix.

A fragmentation of competences can be observed in Bulgaria, Romania and Ukraine. Latvia and Lithuania decided later on in privatisation to change from a decentralised to a centralised organisation. But in Russia, the privatisation agency – installed at an early stage – was of less relevance (figure 6).

3.4 Veto Structures

In most countries, except for Czech Republic, Estonia and partly Hungary, it was political intention of governments to favour insiders in the enterprise privatisation process (figure 7). This development was intensified by institutionalised domination of insiders. Workers and

management councils, a heritage of socialism, have a strong position and right to a say in strategic decisions. Therefore, these councils have a dominating influence to enterprise privatisation. In Hungary, Poland, Russia, Slovenia and Ukraine, workers and management councils had the right for initiative and proposals concerning privatisation method, social and investment plans as well as particular requirements to potential strategic investors at their disposal.

Figure 7: Veto Structures of Target Groups

Country	Domination in Privatisation of Insiders vs. Outsiders	Special Rights of Insiders to initiate Enterprise Privatisation, generally and on the part of Workers or Management Councils
Bulgaria	Insiders Outsider: 02/93-12/95, 03-05/97	No
Czech Republic	Outsiders	No
Estonia	Outsiders	
Hungary	Insiders: 92-94. Outsiders: 89-92, 95-97	Yes, Management
Latvia	Insiders	
Lithuania	VP = Insiders DS = Outsiders	
Poland	Insiders	Yes, Workers Councils
Romania	Insiders	
Russia	Insiders	Yes, Management
Slovakia	Insiders	
Slovenia	Insiders	Yes, Workers Councils
Ukraine	Insiders Outsiders ab 99	Yes, Workers and Management Councils

Sources: All details are taken from different papers and books that are listed at the end of the paper (See list of references).

4 Discussion

At a first glance a dividing line can be observed between the most (Czech Republic, Estonia, Hungary and Poland) and the less successful countries (Bulgaria, Romania, Russia and Ukraine) concerning the factors of duration, involvement of banks, sequencing of privatisation and restructuring, centralised vs. decentralised organisation and dominance of insiders. Obviously a better enterprise restructuring and performance benefit from the execution in a really short period and with the sequencing of privatisation prior to restructuring. Of course, this is a disputed point and I have to consider the duration of privatisation altogether. In countries with a short privatisation period in sum, privatisation prior to restructuring happened more 'naturally' than in countries with a long duration of privatisation process. But I have also to emphasise that in most countries the sequencing of privatisation and restructuring was a political or strategic decision that depends on the privatisation objectives or preferences. In Bulgaria, Hungary, Lithuania, Poland, Romania, Russia, Slovenia and Ukraine the state made enterprise restructuring one's business in order to e.g. increase privatisation proceeds. All in all it is a political question concerning the distribution of restructuring costs: the old or the new owner – the state or the market. Considering the cost of restructuring I suppose that a new owner and the market is more effective than the state.

On condition that state subsidies to enterprises are abolished the involvement of the banking sector in enterprise restructuring is also advantageous. Not only hard budget constraints but also financial opportunities for necessary investments in new technology will be imposed. The successful countries decided for a centralised organisation of privatisation procedures. The advantage was not only a concentration of the decision-making process and responsibility for implementation but also to speed up the privatisation process altogether.

The successful countries attached greater importance to the inclusion of domestic and foreign outsiders in enterprise privatisation than the moderately (Latvia, Lithuania, Slovakia and Slovenia) and less successful countries. The initiative rights of insiders seem not to be a factor of relevance. Although in Hungary and Poland workers and management councils had a strong position, the government paid attention to include outsiders in enterprise privatisation. Therefore, insiders' influence was partly restricted.

The evaluation of privatisation methods is not so clear. The successful and moderately successful countries have chosen especially direct sales, whereas the less successful countries decided more for MBO. The use of voucher privatisation is of less relevance for successful restructuring. But I have to take into consideration that vouchers were often used for management-employee-buy-outs. In some countries a fixed proportion, e.g. 30% of enterprise shares was reserved for employee's privatisation via vouchers. This constellation was seldom used for manager privatisation. On the other hand, managers got a lock-in by direct sales. Therefore, the method of voucher privatisation is more a modus of payment. Actually, enterprises were privatised to insiders (managers and employees) and to single domestic and foreign strategic investors. Citizens in transition countries represent more the stakeholder than the shareholder. Additionally, against expectations in the beginning of privatisation ownership structures developed to more concentrated ownership.

Enterprise restructuring seems to be incoherent to the imitation of external models, the adaptation and change in strategy and to the time when a privatisation agency was founded. But the collection of data is not finished yet. In essence, results of analysis show a policy pattern in privatisation that can explain successful enterprise restructuring.

Appendix

Figure 8: Abbreviations

BPA	Bulgarian Privatisation Agency
DS	Direct Sales
EBO	Employee-Buy-Outs
EconMin	Ministry of Economy
EPA	Estonian Privatisation Agency
EPE	Estonian Privatisation Enterprise
FinMin	Ministry of Finance
HSHC	Hungarian State Holding Company
IPF	Investment Privatisation Funds
LPA	Latvian Privatisation Agency
MBO	Management-Buy-Outs
MEBO	Management-Employee-Buy-Outs
Min of Ind	Ministry of Industry
MP	Mass Privatisation
NAP	National Agency for Privatisation
NIF	National Investment Funds
NPF	National Property Fund
P	Privatisation
PF	Privatisation Funds
PIF	Privatisation Investment Funds
POF	Private Ownership Funds (?) in Romania
PrivMin	Ministry of Privatisation
R	Restructuring
RPF	Russian Property Fund
SOF	State Ownership Fund (?) in Romania
SPA	Strategic Privatisation Agency
SPF	State Property Fund
UCSFM	Ukrainian Commission of Security and Finance Markets
USEC	Ukrainian Security and Enterprise Commission
VIF	Voucher Investment Funds
VP	Voucher Privatisation

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