

Privatization in Serbia, Evidence and Analyses

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Eastern European countries and other countries in transition have considerably different social, cultural and historical backgrounds (compared with western countries) and this has caused political, economic and management skill differences. Transition processes that had been started in this region in order to eliminate these differences are now coming to their end. Compared with other countries in the region of south-eastern Europe and other western Balkan countries Serbia has been delayed in its transition processes. Privatization is one of the crucial parts of restructuring. Moreover, unfavorable historical events, such as the numerous problems of the last decade due to sanctions and isolation, etc., have derailed privatization processes. Serbia faced serious problems in the improvement of its economy. Privatization, the question of ownership, size and planning showed the malfunctioning and inadequate structural settings of Serbian enterprises. Privatization leads to restructuring and restructuring in turn, increases competitiveness of firms. Competitiveness of firms, leads to competitiveness of the whole economy. The Serbian economy nowadays must still struggle against plenty of factors retarding privatization. It is hard to say which privatization concept is the best, as there are no universal solutions. This book is an excellent collection of methods and real cases to identify such solutions. It presents an outstanding lesson for everybody who wants an insight into this topic and is interested in solving problems.

The book consists of 17 articles grouped in four sections. Each presents a high quality professional approach. The authors are professors, teaching assistants and researchers with considerable empirical experience. Their high level of knowledge and up to date approach are an assurance to the reader, that this book offers the best resource on privatization in Serbia ever printed in English, and comprises the most complete review of the various main aspects of privatization.

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The book provides the reader with a very accurate description of the privatization process, and also the background, the time scale, the political influences, and some sociological aspects, too. The book basically deals with the latest privatization processes (after 2000). The four main sections follow the various stages of privatization. As a matter of fact, steps towards privatization started in the early 90s, but were confronted with many obstacles. The next stage was the new law in 1997, as a starting point which redefined the steps to be taken. The period after the year 2000, and finally the period following the assassination of Prime Minister Djindjić (2003), are all elaborately covered by collected studies in the book, from plenty of new aspects.

In Chapter One titled "Performance and Markets" some general but important conclusions are drawn. In the first article we can find very concise and interesting analyses of the privatization process, and its major aim, the creation of clear ownership structure by eliminating so-called "social capital". Some general results by tenders and auctions are also interesting to consider as well as qualitative analyses of positive and negative effects of privatization. Further analysis provides additional viewpoints about the effects of privatization on enterprise performance and the investment climate in Serbia. Some surveys made in the first half of 2005 with comparative results based on cross-country investigation of the business environment and companies' performance (known as BEEPs) open up possibilities for new conclusions. Some of the performed correlation and regression analyses show astonishing results in the field of performance and ownership structure, performance and firm type. Another very interesting paper written by Prof. Cerovic deals with questions of investment, finance and investment climate. "Despite some encouraging changes in the competition environment, better tax system and improved institutional environment, some firms express a rather pessimistic appraisal of the environment, predominantly those that are new and owned by local entrepreneurs or privatized by local owners. Their assessments substantially differ from those reported by firms privatized by foreign buyers or insiders. The same has been observed in estimating possible financial constraints for business." ... " ... new private firms and/or local owners are not yet fully prepared for the market economy and competition, which is in line with previous findings: the new private firms do not appear as dynamic as expected and are not necessarily the leading sector ..." Connected to this issue we can find many interesting facts and figures about unemployment in the third paper under the title "Unemployment as an Effect of the Privatization and Labour Market". After privatizing the big state-owned companies it became clear that the private sector was not powerful enough to absorb (employ) the rising number of unemployed workers. Additionally we can learn more about the labor market in Serbia such as tendencies, structural properties, political implications (regarding the immigration of refugees, and overall impoverishment of the population in the 90s.) Another important question in connection with this is raised in the fifth article, namely the analysis of redundant

workers in privatized companies. In addition, this first chapter is enriched with two articles: one about developments of the equity market and privatization, and the other providing econometric modeling to provide understanding of quantitative data trends (basically inflation).

The second chapter "Sectors and Industries" starts with the analyses of privatization and competitiveness of the commercial sector. Based on the studies of the situation in different sectors the reader will get a detailed introduction to the situation, because this sector is the so-called "mirror of the economy". Unfortunately we must realize that "...the commercial sector in Serbia went through a deep crisis during the last decade of the 20th century". We can read some suggestions to alleviate the situation. The next article concentrates on the question of effects on the labor market indicated by restructuring of the public sector. As an example two typical cases are described. (First the Serbian Railways, and second the electric power industry of Serbia, ending with useful implications). The study continues with papers about the transport sector and agricultural sector (its strategy and the entrepreneurial perspectives connected with Serbian agribusiness privatization).

The third chapter of the book, "Corporate Governance" basically deals with the questions of corporate governance and privatization. Beside the theoretical introduction, the results of empirical research are also presented. According to these some similarities can be found to the German - Japan corporate governance system, with numerous particularities. According to the results of this study further efforts are needed to define the required changes, but we can read some crucial suggestions about board functions. The chapter also includes articles devoted to financial accounting information, and the banking system in Serbia regarding corporate governance. Another problem raised in the last article of this chapter is about self-dealing transactions in Serbian privatization. We can find a general conclusion that "Corporate misconduct and widespread self-dealing have a devastating effect on judicial and public institutions and integrity of public life". Better corporate governance is more than increased financing for corporations, it means more investment and deeper markets. "It is a force for improving the rule of law and creating a more transparent society." It will be one of the new priorities in corporate governance, meaning transition advances in Serbia.

"Management and Incentives" is the title of Chapter 4, the final section. Here we can read about key factors that initiate changes in managers' values and attitudes. ("Impact of Privatization on Managers' Work Related Values"). The next article explores the job satisfaction of managers, which reveals the differences among subgroups of managers based on their gender, education and ownership status. The last article with the title "Improving Serbian Companies' Competitiveness: The Role of Quality Systems and Business Excellence Models" outlines the quality systems and models of excellence that could be used in the Serbian economy.

This book can be whole-heartedly recommended. It is an open, honest, highly professional work with insight and positive criticism, offering suggestions as to what steps should be taken if we wish to work for a better future. Privatization cannot be successful if it is accompanied by misunderstandings, and lack of overall assessment of the privatization process and its effects. In this book there are plenty of cases from which we can learn and draw conclusions about what has happened, what is happening, and what should be done in the future. A wealth of illustrations (charts and tables) support the facts and assist comprehension. The book has 335 pages and is published in size B5.

I would strongly recommend this book to everybody who is connected with this region and its economy. I recommend it particularly to readers who are interested in transition processes, especially in privatization, and it will be extremely useful for those who are doing business in this region. This work is the kind of handbook that ought to be found on every bookshelf. This book gives us a unique opportunity to get a clear view of the situation, and should encourage further studies and business activities.