

ORGANIZATION FOR SECURITY AND CO-OPERATION IN EUROPE
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REGIONAL FORUM

“Public-Private Co-operation in Industrial Restructuring”

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SESSION 2. NEW BUSINESS MODELS OF RESTRUCTURING:
EXPERIENCE FROM DEVELOPED MARKET AND
TRANSITION ECONOMIES

Restructuring in Transition Countries: Aims, Roles, Options, and
Experience

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(This paper is presented as received from the author)



Organization for Security and Co-operation
in Europe



United Nations Economic Commission for
Europe

**OSCE
&
UN Economic Commission for Europe**

**Public / Private Co-operation in
Industrial Restructuring**

**Restructuring in Transition Countries;
Aims, roles, options, and experience**

**Chris Walker
Decision Support & Evaluation**

Economic Restructuring; the objectives

- **Transfer State assets to private sector, reducing State liabilities, but gaining revenue.**
- **Balanced market economics, serving local needs but recognising the risks of historical overstaffing and over capacity in bigger industries**
- **Utilities and ‘key’ strategic industries must provide reliable and cost effective service to support others**
- **New viable industries must emerge; including in ‘hard currency’ sectors and in rural ‘low income’ areas**

Restructuring; the aims at company level

- **Commercial culture must bring new products and services to match market needs at all levels**
- **'Customer driven' businesses must emerge, with proper accounting of assets, debts, production and sales**
- **Import substitution before export development**
- **Cash based business to increase employment security**
- **Better management to reduce investor risk**
- **Productivity, quality, Health & Safety, environmental performance, profitability and sales increased.**

Restructuring; aims at socio-economic level

- **Poverty alleviation, employment, productivity, profitability.**
- **Commercial viability, wealth creation, tax recovery!**
- **Cash based business and ‘proper’ jobs have wide social impact - related businesses and communities benefit**
- **Disposable income increases democratic choice**

Restructuring; the role of the State

- **Make decisions about priority and future structure of the industry or sector [Western Europe 1960's]**
- **Make decisions about the mechanisms of transition [privatisation, deconstruction, FDI, JV] [EU Phare]**
- **Legal and regulatory framework to allow change, especially property rights and titles, investment and ownership rules [Serbia, Kosovo/a, KTZ]**
- **Social and related consequences of restructuring, including unemployment and market exit! [Balkans]**

Restructuring; the options for the State

- Direct action; intervene directly with each industry or sector according to priority and needs, [active]
- Indirect action; create a regulated and supportive environment for change, develop institutional support measures and external instruments such as privatisation mechanisms, let market forces apply. [passive]

Restructuring; other considerations

- **Corporate Governance of new companies**
- **Risks for share owners**
- **Human resource development for future growth**
- **New starts, spin offs and SME**
- **Provisions for market entry / exit**
- **Strategy for FDI; Greenfield or acquisition?**
- **Role of foreign investors? Major/minor shares?**

Industrial Restructuring; analysis of needs

- **over the last 40 years!**
- **Knowledge about management**
- **Market analysis, knowledge about ‘customers,’ markets and marketing,**
- **Help to design and develop desirable products or services,**
- **Need for new money comes quite low on the list!**

Transition Management

- **Active or passive? Examples for comparison;**
- **Passive: Barter moves to cash-flow; Demand driven Community Programmes in Caucasus and Central Asia [OSCE / UN / US AID +Swiss, Luxembourg and EU Funds]**
- **Active: Government selects industries to be privatised via MVP; Supply driven Serbia [Capital Markets] vs Montenegro [Economic Analysis] [EU + Italian funds]**
- **Active: Pure market forces prevail; SME in Bosnia, Croatia, Macedonia [EU, Italian funds]**

Transition Management; Lessons learned?

- **Demand economics, not Command economics!
Check that a market exists before restructuring!**
- **Preferred method:- direct enterprise reform within a supportive enabling environment!**
- **Support clear, relevant, and demand driven targets for enterprise size, sector and location**
- **‘Performance related’ agreements with enterprises;
No progress, no project!**
- **Continuous monitoring, including ex-post, is essential.**