

## **ANALYSIS OF PRIVATIZATION MODELS IN SERBIA**

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**Abstract:** Quality of the transition in former socialist and communist countries is measured through the effectiveness of the process of privatization and democratization of the total social trends. The beginning of a new century is characterized by the implementation of reforms, whose aim is to build stable legal states, successful market economies with strong economic base and affirmation of society, with high technology. The only question that arises is how to perform a quality process of privatization. The most important role of the state is reflected in that it has to create legal framework, to provide the legal base for the privatization process. The last decade of the last century was a decade of transition towards capitalism. Serbian economy was in chaos, confusion, and the economic policy that has led to hyperinflation has also contributed to it. Serbian economy had many problems caused by NATO bombing, which has resulted in many damages of infrastructure, the destruction of dedicated production, commercial capacities. In that period, the transition was slow. It was often resorted to adopting new regulations in the field of privatization and introducing new privatization models, instead of studying the existing one, observing its defects and eliminating them. From the year 1991 until today, we can differ four phases in attempting to implement the privatization accompanied with a lot of legal documents. Privatization is the central issue of transition, and central institution of transition is private property i.e. privatization. Privatization is a complex undertaking, which needs to be set flexibly, i.e. it has to concern the concrete solutions only. Due to their national economy, all the countries in transition had to find an appropriate privatization model. Privatization should provide a stable growth of the economy, social security of citizens, the publicity, market pricing, legal security. The main objectives of privatization in Serbia are: a clear ownership regime, creating conditions for foreign direct investments, liberal economy, development of financial market, strong corporative governance, efficient economy, autonomy of the enterprise, financial independence, higher profit, reduction of public deficit, economy above politics, selection of staff, which should be done according to economic and not political criteria, participation in the redistribution of capital on international financial markets.

### **1. INTRODUCTION**

The privatization process in Serbia has started in the 90s of the last century. Although twenty years have passed since then, it is not finished yet. The country had many problems: economic, political, the disintegration of SFRY, disintegration of FRY, NATO intervention, and the consequence of all that was the broken market, hyperinflation, grey economy, disintegration of institutions, low living standard, increase of corruption, criminal and all well-known accompanying consequences that the war brings along. All the above-mentioned has caused that the process of transition, which started in time, lasts this long and that it is not completed yet. For that reason, Serbia has passed through a few phases of privatization and a few privatization methods have been applied. From legal and economic aspect of privatization models that were applied in Serbia from the 90s until today, it was observed that only the Law from 1997 and Law on Privatization from 2001 were applied in practice. From the legal aspect, the Law from 1997, favored the employed workers, while the Law from 2001 introduced more privatization models, taking care of the employees, but also of the state, market, export and other important economic criteria according to which the economic power of a country is measured. In the countries in transition, privatization is inevitable. Methods, techniques and experiences of other countries should be applied to the country only in the form that is appropriate for that particular economic system. Through its legal norms, the Law should prevent the negative effects of privatization such as selling the enterprises at any cost, corruption, monopoly,

leading the enterprises to bankruptcy in order to overthrow their value and sell them for nothing, it is not only important to sell the enterprise but to sell it to someone who own the capital and who will keep investing in the production, take care of the employees, have a business with as higher profit, increase the export, and all that has a positive impact on the economic system of our country, increase of the export, GDP growth, collection of taxes... Privatization is one of the essential elements of market economy which, through its effects, bases the success of transition on two conditions – macroeconomic stability and a clear attitude towards the privatization. The main objective of economic reforms in the Republic of Serbia is very clear: build an efficient economy, dominantly based on private property and encourage the stable economic growth.

Strategies for the realization of this objective are:

1. Privatization of the social and the largest part of state capital,
2. Encouraging the development of small and medium enterprises and entrepreneurs,
3. Construction of a stable economic environment in order to attract the foreign direct investments.

The essence of privatization should be investing in the development of enterprise's business operations and strengthening its competitive position in the market. Precisely from that aspect, we should consider the effects of privatization that are accomplished in the previous years. Besides the data about the number of enterprises sold, significant indicators of effectiveness in this moment most certainly are: whether there has been a revival of production, trade and services in enterprises, revenue growth, volume of contracted investments, investment in employee protection programs, employment increase... If there are any objections to the process of privatization, they should be explained exclusively from three aspects:

- Whether the process of selling was in compliance with legal regulations on privatization;
- How have all the terms of sales contract been implemented;
- Have all the revenues from privatization been properly allocated (on the development and restructuring of economy).

Expectations of the rapid growth of foreign direct investments in Serbia have not been achieved. In good part, the main motive for buying our enterprises was the purchase of domestic market or natural resources and, if possible, achieving the dominant position in domestic market. By far the largest number of purchases was made in the sector of food and drinks production. In that way, we can identify a few key segments in which the foreign investments have invested, and those segments are: cement production, tobacco processing, beer production, milk industry, the exploitation and placement of mineral waters and trade networks.

## **2. THE FIRST PHASE OF PRIVATIZATION IN THE PERIOD FROM 1990 TO 1991**

The Law on social capital was adopted, which relies on self-management model, gives priority to workers in the enterprises and enables for the enterprises to be taken over by the workers.

The most important feature of this Law is that the enterprises are absolutely independent in privatization process to choose whether or not are they going to be privatized, when, under which terms and they can establish their own Agencies for Restructuring. However, precisely because of such a way of solving the privatization process, where the state cannot influence the course of privatization through its

institutions, there are problems between the Federation, on one hand, and member Republics, on the other. Member Republics establish the Agencies with much greater authority than it is envisaged by the Federal Law. Result of this privatization phase was:

- Privatization of 1220 enterprises i.e. 33,17% of the total number of enterprises to which the Law referred.
- 1211 enterprises or 99,26 % chose recapitalization.
- 9 enterprises or 0,74 % chose the sales of capital.

#### Basic features of the Law from 1990

All types of enterprises can be privatized

Offers discounts: 30% + 1% per year of service  
for workers, 30% for the citizens

Capital value is a book value, without assessment,  
according to balance sheet of the previous year

Models are: recapitalization, sales, payment of  
salary in shares

Shares repayment period is 10 years

Privatization is voluntary

There is no state control, state has no influence  
on course and character of privatization process

### **3. THE SECOND PHASE OF PRIVATIZATION IN THE PERIOD FROM 1991 TO 1996**

In this period the state was disintegrated and that inevitably leads to the adoption of a new law in the field of privatization. In August 1991, the Law on terms and procedure of transforming social property into other forms of property, Law on Republic Agency for assessing the value of social capital 1991 and Regulations on the manner of determining the accounting value and assessing the value of social capital 1991 were adopted.

Jobs that were within the jurisdiction of the Agency for assessing the value of social capital are:

- Assessment of the social capital value,
- Control of the legality of financial and legal jobs that are linked to making a decision on privatization i.e. ownership transformation,
- Control of the process of repayment and discount in the five-year period according to the Republic Law and ten-year period according to the Federal Law,
- Control of the implementation of the Regulations issued by the Government of Serbia.

### Characteristics of the Law from 1991

Privatization of strategic sectors such as mining, energetics, media is excluded.  
Privatization of Jugopetrol is annuled.

Provides a 20% discount for the employees, there is no discount for citizens, limits the privatization with 50% discount

The assessed value of enterprise is applied, and not the book value

Models of privatization are: sales, recapitalization, selling the enterprise as a whole, renting the enterprise

Repayment period is 5 years with annual revalorization

Greater restrictiveness of this Law in relation to the previous

The control of privatization process is introduced by the Agency for assessing the value of social capital

A limit of 20.000 DM for purchasing the shares with discount is introduced

The year 1994 was marked by the following: adoption of the Law on Amendments to the Law on Republic Agency for the assessment of social capital (Sl.Glasnik no. 71/1994.), adoption of the new Regulations, and all that with the aim of nullifying the effect of privatization done according to the previous law, retroactively. Agency implements the control over the privatization of 2035 enterprises and 68.000 shareholders that have purchased the shares according to the previous law. It annuls the privatizations retroactively. 436 enterprises are returned to the status of social enterprise, and over 500 enterprises submit their claims to the Supreme Court. The participation of equity capital amounted 43,14%, and after the control is made by the Department for Payment it was reduced to 27,49%. Furthermore, when the Agency controlled the work of the Department for Payment, it reduced that ratio once again and brought it to 97,09% of social capital and 2,91% of equity capital. In that way, the Agency has completely annuled the previous privatization. Fund for Development of the Republic of Serbia was established by the Law on Fund for Development of the Republic of Serbia and assets for the fund are provided by selling the social enterprises or their parts, from the budget of the Republic of Serbia, as the initial investment, by trading of securities, domestic and foreign credits and loans, transfer of bankrupt and liquid mass of enterprises, and other sources in compliance with the law. Means for acquiring the policy of regional development are provided from the budget of the Republic, from the annuity based on credit placements, from solidarity assistance. The Governing Body of the Fund is Administrative Committee and it consists of a chairmain and eight members. Chairmain and members are appointed and dismissed by the Government of the Republic of Serbia. By the Statute, the Fund regulates the

following: organization and the operation method of Fund, authority and operations of the Management Board, authority and operations of the Director of Fund, rights, duties and responsibilities of the employed in the Fund, way of work organization, education of organizational units...

The effects of privatization in this period are the following: in 1992 there were 139 enterprises privatized, in 1993 there were 465 enterprises included in the process, and the Agency starts to slow down the privatization process by non-issuing the certificates of capital value and, consequently, 921 enterprise performs the transformation without consent.

#### **4. THIRD PHASE OF PRIVATIZATION IN THE PERIOD FROM 1997 TO 2000**

In the year 1997, the Law on Ownership Transformation (Sl.list FRY no. 29/97) was adopted. The main carriers of the privatization process were the Ministry of Privatization, the Directorate for assessing the value of social capital and the Share Fund of the Republic of Serbia who give the consent for participations of over 25%, speed up or slow down the approval of the program, values and procedure... The Law is based on the concept of dead labor. It relies on the free distribution of shares, 60%. The right own the employees, former employees, retirees, farmers. Bureaucratic procedure is complex and expensive. 426 enterprises have entered the privatization process, and only 18 have completed the procedure and that would be all for these three years.

##### Shortcomings of the Law from 1997

Total salaries higher than the profit of enterprise
Model of dead labor and insider ownership
Owners are against the change of the enterprise policy
Foreign capital is not interested in minority ownership
Model gives priority to workers and bureaucracy
Privatization process is expensive and non-transparent

##### The Features of the Law from 1997:

1. Subject of the privatization is the social and state capital that an enterprise owns.
2. Capital value is expressed in stocks and shares.
3. Assessment of capital value is done by the enterprise of authorized appraiser.
4. Control of assessing the value of capital, manner and procedure of privatization is done by the Directorate for assessing the value of capital.
5. Models of transformation:
  - a) Sales of shares in order to realize sales of capital (with or without the discount),
  - b) Selling the shares for raising the additional capital (with discount),
  - c) Conversion of debt into creditor's shares (with discount).
6. Methods of transformation in the enterprise:
  - a) Autonomous

- The employed, retirees, farmers (insured and non-insured) have a right to shares,
  - The employed have a right to acquire the shares whose nominal value is 400 DM in dinars for each full year of service,
  - Farmers have the right to acquire the shares on the basis of registration for each full year of insurance service, and those who are non-insured have a right to acquire actions up to the average nominal value of shares that is achieved by the farmers who are insured,
  - The employed, insured and non-insured farmers also have a right to the shares whose nominal action cannot exceed the amount of 6.000 DM in dinars, which they can buy in accordance with this Law and the Decision of issuing the shares with basic discount of 20% and additional discount of 1% for each full year of service,
  - Right to acquiring the shares under privileged terms can be acquired for 40 years of service at the most,
  - Capital of the enterprise for acquiring the shares on the basis of registration cannot exceed 60% of the assessed value of capital that is transformed,
  - The enterprise in which property transformation takes place offers the shares for selling by public call, which is published on the notice board of the enterprise, in Official Gazette (Službeni glasnik) of the Republic of Serbia and in one daily paper at least, with the deadline for the registration of shares that begins after five days, counting from the day when it was published in the Official Gazette (Službeni glasnik) of the Republic of Serbia,
  - Public call includes: the assessed capital value, nominal value of the shares that are being sold, number of shares, terms for the registration of shares, place of registration, manner of registration, deadlines for registration and payment, the amount of discount, number of the employed, and it may also include an indication of the number of previously employed, as well as the number of retirees and other data in accordance with the law that regulates the securities and the Decision on issuing the shares,
  - Shares are registered by signing the registration statement,
  - Payment of the registred shares is done in accordance with the Decision on issuing and selling the shares and the Agreement on selling of the shares, in the whole or in installments,
  - Shares are put into the market through stock brokers through stock exchange,
  - Shares give a right to governance, dividend, part of the remainings after the enterprise declares bankruptcy and pays off the creditors,
  - Monetary assets, acquired by the privatization of an enterprise, are payed within the deadline of three days to the: Fund for Development of the Republic of Serbia in the amount of 50%, Department of Labor Market in the amount of 25%, Republican Fund for Pension and Disability Insurance in the amount of 25%.
- b) According to the special program
- Which enterprises are going to be privatized according to the special program is decided by the Serbian Government and for that all the criteria need to be cumulatively fulfilled, namely: strategic significance of the enterprise, number of employees and the size of enterprise.
- c) With the consent of the founder

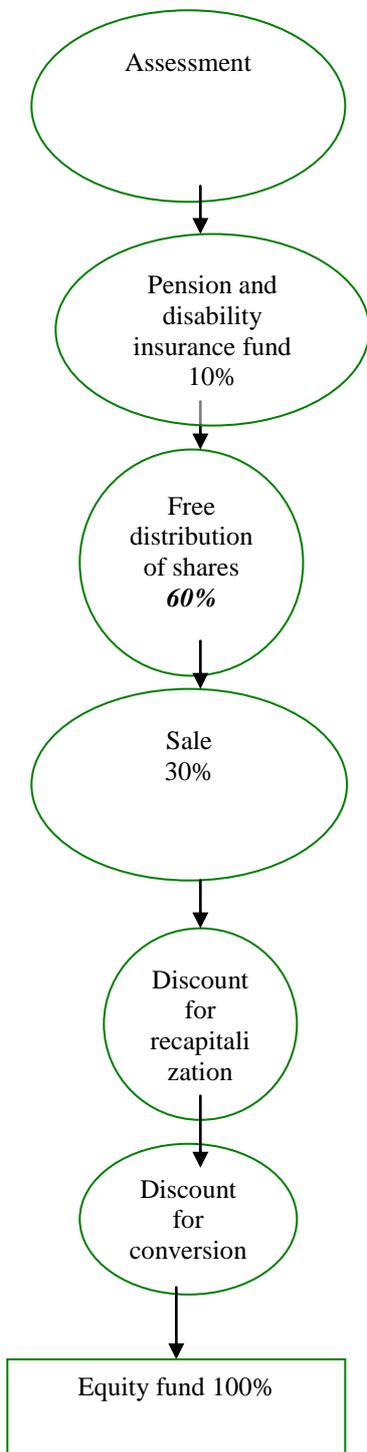
- In case of the enterprise whose activity is of a general interest, the privatization is performed with the consent of the founder,
- Acquisition of shares is realized within one year from the day when the decision on the transformation of enterprise was made,
- Monetary assets achieved by privatization belong to the founder.

## 5. THE FOURTH PHASE OF PRIVATIZATION IN THE PERIOD FROM 2001 TO TODAY

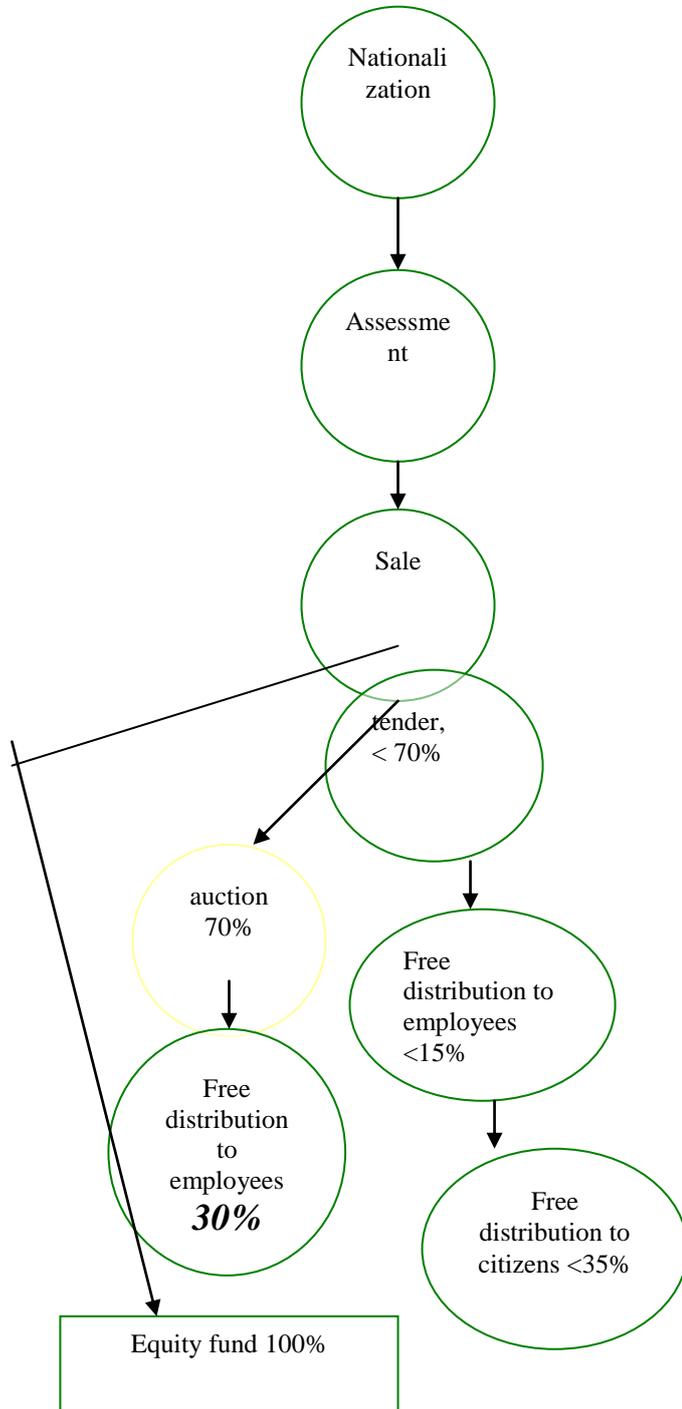
Characteristics by the Law from 1997 and the Law from 2001

Owners of privatized enterprises are small investors	Owners of privatized enterprises are small investors
Small investors tend to sell their shares as soon as possible	The state appears as a major seller
Large number of shareholders, who do not have the financial power to recapitalize the <b>privatized enterprises</b>	Smaller number of shareholders
Impact of the state is not negligible (some enterprises are exempt from the Law on Privatization)	Impact of the state is big
Fewer opportunities for corruption	Higher exposure to corruption
Based on the dead labor	Clear ownership structure (private and state property)
Foreign capital is not interested in minority ownership	Higher inflow, and therefore the impact of foreign capital

By the Law from 1997



By the Law from 2001



The principles of privatization:

1. Creating the conditions for the development of economy and social stability,
2. Public,
3. Flexibility,
4. Formation of sale price according to market conditions.

The subject of privatization is social, state capital in enterprises and other legal entities, provided that the enterprises have their headquarters in the Republic of Serbia. The subject of privatization cannot be natural resources and general-use goods, as the goods of a general interest.

Entities responsible for the implementation of privatization:

1. Privatization Agency,
2. Equity Fund,
3. Central Registry of Securities.

Privatization models:

- a) Sales of capital – i.e. property is conducted through: *sprovodi se putem*:
  - Public tender and
  - Public auction.
- b) The transfer of capital without compensation – done after the sale of capital as follows:
  - The transfer of shares to employees and
  - The transfer of shares to citizens.

The buyer of capital, assets cannot be:

- Domestic legal entity that operates with the majority of social capital,
- Physical, legal entity and the founder of the legal entity, which has accrued liabilities toward the subject of privatization to the date of submitting an offer on tender, i.e. application for participation at the auction,
- Entity to which the contract on the sale of capital i.e. the assets is terminated due to the non-performance of contractual obligations.

The means of payment in the privatization can be:

- In domestic and foreign convertible currency,
- Bonds based on unpaid foreign exchange savings of the citizens.

The public tender is a method of privatization by public collection of offers of the potential buyers in accordance with established terms of sale. It is formulated and implemented by the Agency. The Agency announces a public call for participation in the tender. Minister establishes the Tender Commission, which provides a report on its work after implemented actions and submits it the Agency. The applicant pays a deposit for participation in the tender. The tender participant whose offer is considered a most favorable and he does not sign the contract or pays the agreed price in determined deadline, loses his right to the return of deposit. Tender participant has the right to object to the legality of procedure.

Public auction is the method of privatization through public bidding of potential buyers in accordance with established terms of sale. The procedure of sale through public auction is conducted by the Auction Commission that is formed by the Agency. The Commission makes a record of its work and report on the results of the public auction and submits it to the Agency, the competent Ministry and Serbian Government within the deadline of 15 days from the day when the procedure of selling by public auction was finished. The Agency announces a public call. The participants are required to pay a deposit, and they have the right to objection to legality of the procedure.

Transfer of shares to employees – the employees have a right to acquire the shares free of charge for each full year of service in the subject of privatization, and that right can be acquired for 35 years of service at most. The employees are the persons who were previously employed in the enterprise, retirees, as well as the employees in the parent or subsidiary enterprise if the subject of privatization is a dependent or parent enterprise.

Transfer of shares to employees in the procedure of sale by public auction – capital for acquisition of shares free of charge in the procedure of capital sale by public auction cannot be higher than 30% of the capital that is being privatized. The employee acquires the right to shares free of charge whose nominal value is 200 Euros in dinars for each full year of service.

Transfer of shares to employees in the procedure of sale by public tender – capital for the acquisition of shares free of charge in the subject of privatization by the application of the public tender method is not more than 15% of the capital that is privatized. The employees have a right to acquisition of shares free of charge whose total nominal value is 200 Euros for each full year of service, but not for more than 35 years.

Transfer of shares to citizens – the actions of the subject of privatization, which is privatized by the application of public tender method in the amount of at least 15% of the capital that is privatized, are recorded in the Privatization Register. Subject of privatization is required to inform the competent ministry within the 15 days deadline from the day of fulfilling the conditions for recording of shares. Shares that are recorded in the Privatization Register will be distributed to citizens within two years after the deadline set for privatization process. The right to acquisition of shares belongs to the citizens of Serbia who are over 18 years of age, and that right does not belong to the citizens who have acquired that right as employees, in the whole or partially.

Funds acquired through the process of privatization are use to finance:

- The Republic Fund for Pension and Disability Insurance,
- Encouragement of the development,
- Payment of compensation to the persons whose property is nationalized,
- A special program of economic development and environmental protection that is adopted by the local self-government,
- Other purposes.

Method of the allocation of funds:

- 10% of the funds is paid to the Republic Fund for Pension and Disability Insurance,
- 50% of the funds will be allocated for financing the restructuring and development of the economy in Serbia,
- 5% of the funds will be allocated for payment of the compensation to the persons whose property was nationalized,
- 5% of the funds will be allocated for financing the infrastructure development of local self-government according to the headquarters of the subject of privatization.

The Law on Privatization from 2001 created the possibilities for selling the majority stake of the social capital. Act of purchase in tender or auction privatization enables the buyer to become the owner of 70% of enterprise's capital. By purchasing the majority of capital, the ownership and administrative control of the enterprise is ensured simultaneously, which was supposed to be the main motive for attracting foreign and domestic capital and the acceleration of privatization. The state, whose representative is the Privatization Agency, has become the vendor and key negotiator with investors: its role in selling is crucial, and management of the enterprise has a limited influence in it. The main objective of privatization is to get a majority owner in domestic enterprises through the redistribution of ownership. The result of privatization is a clear position of all the interested parties – owners, managers, employees and unions in approaching to the concept of private entrepreneurship development, as one of the carriers of growth and development of efficient market economy. The Law on Privatization from 2001 has brought some novelties to the privatization methodology of the social capital and property in relation to the previous Law on Ownership Transformation of Enterprise, which has been in force from 1997 to 2001. The new Law has introduced only the method of capital sale, in

the following two ways:

- By public tender (large and strategically significant enterprises) and
- By public auction (small and medium enterprises).

Privatization in Serbia is carried out in three directions: privatization of the real sector, privatization of banks and insurance companies and privatization of public sector. The situation in privatization is such that the specific effects of this process can be observed and evaluated only in real and financial sector (privatization of banks), while the privatization of insurance companies has not yet begun. Under the pressure of slow and inefficient privatization, the Amendments to the Law on Privatization, the Law on Privatization Agency and Law on Equity Fund were carried out. Competencies of the Privatization Agency were expanded. The Agency is now performing the duties of a bankruptcy trustee as well, while the Equity Fund has obtained greater competencies, since the shares in its portfolio are converted into ordinary shares. Instead of effects on the acceleration of privatization, these changes are the cause of a numerous negative consequences, because they endanger the ownership rights. They increase the already large interference of bureaucracy in the work of enterprises, especially when it comes to the Privatization Agency, because it continues to sell the enterprises all by itself and to control the sale. With the intention to make the enterprises more attractive for sale and accelerate the privatization in that way, the state has decided to write off the debts to the funds and public enterprises. Debts should be settled later from the revenues acquired by selling these enterprises. Possibly because the debt is temporarily written off, and afterwards it is compensated from privatization revenue, there is a new term introduced – “discharge of debts”, which is allowed if the Privatization Agency decides that it should be done.

## **6. RIGHTS OF THE CITIZENS**

Despite numerous difficulties, privatization should continue according to the existing model of sale, but as a key lever for its acceleration remains only the consistent application of the new Law on Bankruptcy and Liquidation. Continued privatization will also be complicated due to the situation of some remaining social enterprises that are not attractive enough for sale, and also because some remaining social companies have problems concerning ownership structure or there is no proper documentation of assets and liabilities. In the situation when there is, according to the assessment, 15% of citizens who have realized their right and obtained the free shares by the previous privatization flows in Serbia, as well as to obtain corresponding incomes by the sales, it is normal that the “rest of the population”, who also participated in the creation of social and state capital, will ask the reasonable question: When, where and how to acquire free shares. The current Law on Privatization, respecting the principle of the equality of citizens, has established the right to free shares that will be given to the citizens without any compensation under particular terms, but the manner of acquisition, distribution and use will be regulated after the privatization process is completed according to the legal documents i.e. the Regulation of the Serbian Government.

By establishing the institute “Privatization Register”, the Law on Privatization was completely complied with the constitutional principle of equality of all the citizens of Serbia in the aspect of possibility to acquire free shares by providing the possibility of the transfer of shares for all the citizens of Serbia, under particular conditions. In order to implement the principle of equality for all the citizens of Serbia in the domain of free shares, the Privatization Register in which are recorded the 15% of the shares of privatization subjects that are privatized by the method of public tender is established. Since the strategically

significant enterprises, which are purchased by capitally powerful investors capable to significantly improve the enterprise's performances, are privatized by this method, it is realistic to expect that the shares of those enterprises will be highly ranked in the financial market. By the Amendments to the Law on Public Enterprises, in public enterprises and enterprises with a majority share of state capital, which carry out the activities of general interest, at most the 30% of the state capital, which is privatized and at least its half is recorded in Privatization Register, can be shared. In case that the employees do not register 15% of all shares (the case when the number of employees who can acquire a right to free shares is smaller than the total number of shares that can be transferred without compensation) and Privatization Register records that excess, the number of free shares for those citizens who have the right to them is increased. The shares that are recorded in the Privatization Register will be divided to the citizens within the two years after the deadline for privatization process. In order for the citizen to acquire a right to free shares, he has to fulfill the following conditions simultaneously:

- He needs to be of full age at the time when the Decision on transferring the shares recorded in Privatization Register for the citizens enters into force.
- That he has not realized his right to free shares, in the whole or partially, by the application of previous laws in some of privatization subjects.

The citizens acquire the right to equal part of capital expressed in shares, regardless of the working and legal status, which means regardless of whether they have or not participated in the creation of social and state capital, i.e. whether they have worked, how long they have worked or they haven't worked at all. All of them acquire the right to equal part of capital expressed in shares. Among those who will potentially register for free shares, there are those employees who did not use that right in their enterprise which is privatized; the employees in the privatization subject where less than 50% of capital was sold, so they did not have a right to free shares or the enterprise that is restructured, so there is no capital to transfer to the employees without compensation. The citizens who have not realized their right and acquired free shares in their enterprise, which was privatized, can realize their right to free shares, in compliance with the Law on Privatization, as the citizens from the shares recorded in the Privatization Register. After the privatization process and adoption of appropriate Regulation, which will more precisely determine the manner of acquisition and distribution of capital i.e. shares recorded in Privatization Register, and after the transformation to the Investment Fund, which will dispose with the portfolio of shares that are recorded in it, then the potential subscribers will be able to acquire their right and obtain the high-quality shares that will be highly ranked in the financial market.

## **7. CONCLUSION**

Problems in the privatization process are numerous, but there are a few essential:

- Legislation that regulates this field is not complete; the Law on Denationalization and Restitution has not been adopted yet.
- Privatization process in the part that refers to distribution of free shares to citizens (15%) by the tender privatization is not completed and it is expected that the citizens will not acquire this right before 2010.
- Big problem in the privatization process is also the inaccurate expression of data for which the vendor (Privatization Agency) does not take responsibility, so that the buyer has no guarantee as to what he is buying. These problems most frequently result in the termination of the contract and represent a bad sign to the future investors.
- Unsolved obligations to employees can cause, in some cases, the suspension of

work after privatization, lawsuit against the new owner and, most frequently, the termination of the contract.

- In the enterprises involved in the primary agricultural production, there is a big problem of the division of state and public land.
- By establishing the institution of debt discharge to the privatization subjects, it was expected that the balance of the enterprise becomes significantly relieved, but there are problems in implementation because certain state institutions do not report the claims or act selectively.

From the economic point of view, it was observed that the enterprises privatized by the Law from 2001 operate better and they invest in modernization of their production, which is a good sign for the future. Positive fiscal impact of privatization in Serbia can be identified in three categories:

- Increased budget revenue, which is acquired either directly, through the transfer of revenue from privatization to the budget, or indirectly, through increased profitability, liquidity of privatized enterprises, which are then more able to pay taxes and increase the efficient tax collection by the state;
- The financial injection from the privatization income, transferred in order to recover the Pension Fund (5% of the sale by the Privatization Agency and 10% of the sale by Equity Fund);
- Reduction of subventions and other forms of financial support for public enterprises.

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