

16 March 1994

ENGLISH ONLY

TRADE AND DEVELOPMENT BOARD
Ad Hoc Working Group on Comparative
Experiences with Privatization
Fourth session
Geneva, 5 April 1994

Minimum Standards for Privatization Activities
(Basic Elements)
Developed by the German Privatization Agency "Treuhandanstalt"

Country contribution submitted by Germany */

*/ The attached is circulated in the language and form in which it was received. The terminology employed is that of the submitting Authority.

TD/B/WG.3/Misc.9/Add.1
GE.94-51097

FEDERAL MINISTRY OF ECONOMICS, BONN, FEDERAL REPUBLIC OF GERMANY

I B 6 - 23 03 12/6 -

Minimum Standards for Privatization Activities

(basic elements)

developed by the German Privatization Agency "Treuhandaanstalt"

Phases of Privatisation

Inventory of assets	Marketing activities	Bid evaluation	Valuation
		-	

Risk areas

- . Inventory of assets
 - . Completeness
 - . Location within structure
 - . Responsible office
 - . Asset administration
 - . Keeping data up-to-date
 - . Data management
 - . Records
- . Selection of suitable marketing forms . Not all bids included
 - . (-> active marketing)
 - . Lack of competing bidders
 - . Marketing of fringe areas
 - . Marketing for planned MBOs
 - . Records
- . Review of bidders' creditworthiness and proposals
 - . Comparing bids
 - . Evaluating bids
 - . Records
- . Valuation of company
 - . Company assets valuation at current market value
 - . Plausibility of appraisals and changes in valuation of individual items
 - . Records

Phases of Privatisation

Sales negotiations	Decision on utilisation	Contract terms	Contract management

Risk areas

- . Mistakes in setting purchase price and guarantees on investment and jobs
 - . Unreasonable concessions
 - . Disadvantaging individual bidders through manipulative negotiating
- . Disregarding existing lines of responsibility
 - . Improper mixing of company valuations and sales aspects
 - . Erroneous weighting of decisive utilization aspects
- . Major contract elements unsettled
 - . Room for misunderstandings
 - . Differences between decision-making data and contract figures
- . Complete survey of all contracts and contract details
 - . Insurance of contract compliance
 - . No renegotiation of contract

Minimum Standards for Individual Phases of Privatisation

Inventory of assets	Marketing activities	Bid evaluation	Valuation

Risk areas

Minimum Standards

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> - Uniform system for administering firm assets and parts - Supervision by check and counter-check system - Regular coordination between central records and operational units | <ul style="list-style-type: none"> - Choice of suitable marketing forms <ul style="list-style-type: none"> - Brochures - Tenders - Trade fairs, workshops - Agencies - International acquisition - Investor relations - Marketing approach depends on company size |
| <ul style="list-style-type: none"> - Registration of bids <ul style="list-style-type: none"> - Written confirmation of verbal offers - Keep all bids in single company file - Check bidders' creditworthiness and integrity | <ul style="list-style-type: none"> - Assessment of firm must be recent - Valuation of individual assets must be clearly documented - Subsequent changes in valuation must be clearly explained |

Minimum Standards for Individual Phases of Privatisation

Sales negotiations	Decision on utilisation	Contract terms	Contract management

Risk areas

Minimum standards

- | | | | |
|-------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------|
| - Final sales negotiations not by single person | - Record main aspects of decision relating to contract | - Standard versions for indispensable elements of contract | - Implementation of controllership |
| - Written record of negotiations | - Decision must be outlined in detail in terms of sales policy | - Review of draft contracts by counter-check principle | |
| - Negotiating parties sign final negotiating position | - Main factors influencing decision must be explained | - Special powers for certification in public record in line with contents of sale | |