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**SERBIA: PRIVATIZATION**

Amid fears that the on-going global credit crisis may interfere with the finalization of the privatization of socially-owned enterprises in Serbia, the Government of Serbia ("GoS") has adopted amendments to the three main privatization decrees with the principal aim of facilitating the procedure of payment of the purchase price under privatization agreements.

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**AMENDMENTS TO THE DECREE ON SALE OF CAPITAL AND PROPERTY BY PUBLIC TENDER**

**AMENDMENTS TO THE DECREE ON SALE OF CAPITAL AND PROPERTY BY PUBLIC AUCTION**

**AMENDMENTS TO THE DECREE ON RESTRUCTURING OF ENTITIES UNDERGOING PRIVATIZATION**

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The possibility of paying the purchase price in installments has so far existed only with respect to less attractive companies that were being sold through auctions. Furthermore, only Serbian nationals could have availed themselves of this benefit and for not more than two purchases. In contrast, the purchase price in tenders had to be paid in one lump sum.

As a result of the Amendments to the Tender Decree, it is now required that only 30% of the total purchasing price be paid following the signing of the SPA, whereas the remainder of the price may be paid in five equal installments, subject to the interest rate equal to EURIBOR +2 %. It is further prescribed that the tender documents shall specify the moment in time when the ownership over the shares subject to sale vests in the buyer. The Amendments to the Auction Decree extend the existing benefit of paying the purchase price in installments to foreign nationals and to unlimited number of purchases, whereas the Amendments to the Restructuring Decree make the payment in installments applicable to socially-owned companies undergoing restructuring prior to sale.

The new payment regime applies only to the sale of the socially-owned companies and not to the sale of state-owned companies. Given that almost all socially-owned companies have either been sold or are unattractive to investors, it is questionable how efficient these new measures will be in boosting the privatization prospects of the remaining socially-owned companies.

Other amendments of the Tender Decree are aimed at filling certain gaps in regulation of the negotiations with the bidder in tenders where only one bid was received. Also, the representatives of the trade unions of the companies being privatized no longer have their place in the Tender Commission.

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