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Privatization as a "Learning Process" - the Case of Hungary

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Hungarian privatization is considered as a process which has been dominated by standard methods. Most of the firms were sold via public tenders, private placement or public offerings and state budget generated significant cash income from selling. A detailed analysis, however shows that the course of privatization has neither been direct nor uniform even in this country. Every conceivable approach occurred on the scene during the last decade, including free distribution to individuals and institutions or preferences to different types of buyers as well as loosely controlled movements and centralized governmental decisions.

The intention of this paper is to show some reasons behind these fluctuations. Privatization is regarded here as a learning process. Learning process not in a technical sense but rather a trial and error approach, an adjustment of all main actors (governments, enterprise management and potential new owners) led partially by constraints, partially by changing opportunities.

The first part describes the preconditions from the point of view of the different actors' position.. The second part summarizes the main characteristics of Hungarian privatization, showing the unstable and mixed character of the process as a consequence of changing goals and circumstances. After outlining the achievements and week points of the methods applied, we give an overview of open issues before closing institutionalized privatization.

1. Preconditions of privatization in the late 1980's

Considering the initial position of the main actors of a future privatization, three aspects seem to be of special significance: the existing enterprise and ownership structure on the supply side, the attitudes and possibilities of potential investors on the demand side and the macro economic situation along with institutional frameworks as a general background to all kind of transactions.

In the years of planned economy, especially from the early 1960s on, both formal ownership and enterprise structures were highly concentrated. According to estimations, state property exceeded 85 per cent of assets in the so called competitive sectors, including agriculture and services. Output was dominated by big enterprises. In the second half of the 1980's there were only 1100 firms in industry. 300 big units with more than 1000 employees gave 80 to 90 per cent of production.

Partially because of this high concentration, ownership rights in the state sector gradually became more and more decentralized. The basic idea of Hungarian economic reforms form the 1960's on has been the increase the firms' autonomy. Growing independence included the delegation of property rights from central bureaucratic organizations to the enterprise management. Several groups of firms achieved an informal but strong bargaining position against governmental organizations on the basis of their monopolistic position on the domestic market, considerable weight in exports and the involvement of managers into the mono party system. In the shadow of a formal hierarchy, they could influence the targets and the redistribution of investments and subsidies[1].

The last step of decentralization was the introduction the so called self-governing forms in 1985. The enterprise councils, established at two-thirds of economic units, consisted of insiders only and were practically dominated by top management. These controlling bodies obtained the rights to determine the organizational structure, to appoint the chief executive, to decide on mergers and splitting up and to found of joint ventures and other companies involving state assets. Thus, the inheritance of the planned economy in Hungary was not a strong and stable state ownership, but a dispersed model, where the property rights were divided between enterprise management and party-state organizations. It was not obvious, who the seller of state assets would be.

Besides dominant state property germs of private business were present in Hungary. Private activity had been allowed in Hungary as early as in the 1960's, mainly in agriculture. Apart from the legal forms of small private business there was an extended second (or shadow) economy.[2] From 1980's on new legal and regulatory frameworks have given impetus to the expansion of private entrepreneurships. The mushrooming of small units proved to be important first of all in accumulating experiences and business contacts. The accumulation of capital in private firms was legally constrained till the end of the 1980s. Domestic savings were obviously insufficient to buy up state assets to be put on the market.

The other group of potential investors, foreign firms were threatened by high political and economic country risk. In the late 1980's significant liberalization and deregulation started. Government sharply cut subsidies to state firms, liberalized foreign trade. Because of the shrinking of domestic market, the growing uncertainty of Comecon trade and the low competitiveness on word markets, most Hungarian enterprises faced deep financial and market crises at this time. The institutional background for selling state assets was rather weak, although

[1] See for instance Szalai (1989), Csanádi (1995)
[2] For a general overview see Gábor R.-Galsai (1981)

several market elements had been introduced before the political turnover. To mention only some examples, the possibility of foreign investment dated back to the 1970's. The administrative control over founding joint ventures was loosened and preferences extended gradually. A new company law was enacted in 1988, providing a framework to fund share companies and other limited liability forms. From the mid-eighties on commercial banks were established, bonds and bills of exchange have appeared. The law on reopening the Budapest Stock Exchange was passed in the first months of 1990.

Considering all these factors, economic changes were more gradual than political ones. The existence of legal frameworks and germs of market institutions including entrepreneurial attitudes in wide groups of citizens and enterprise managers proved to be important from the point of view of privatization. Nevertheless, both the supply and demand side for selling state assets were rather week. Even the seller's position of the state seemed to be questionable. That was the basis for starting spontaneous privatization in the late 1980's.

2. The main characteristics of Hungarian privatization: an unstable and mixed process

2.1. The failure of enterprise conducted transformation "Spontaneous privatization" adopted between 1987 and the Spring of 1990, was based on self governing forms and the new company law. Several dozen big enterprises, facing vanishing markets, spiraling debts and cut backs in state subsidies sub-divided themselves into groups of companies. The aim was to segregate loss-making units, giving the viable ones the opportunity to find new owners and markets or to offer debt-equity swaps to banks and other creditors.

As a general rule, the central enterprise implementing the organizational transformation remained the majority shareholder of the new companies formed from the factories and other assets of the big firm. Although these enterprise centers often called themselves holding companies, they preserved the traditional socialist enterprise form and remained in state hands. Thus, this basic type of "spontaneous privatization" was not privatization in the real sense. It was rather a change in organizational form (called "corporatization" or "commercialization"), that might be considered as the first step towards selling the shares.[3] The process was not spontaneous either. The initiative of the managers was driven by governmental measures. State administration encouraged reorganization and founding joint ventures via tax relives and created legal frameworks, including loopholes whereby constraints of wage and import regulation could be avoided.

[3] See Móra (1991), Voszka (1998)

Even less the second type of this phase, the selling of big entire firms to foreign investors, might be considered spontaneous. In these rare cases, concerning not more than a dozen enterprises, governmental organizations, mainly ministries played the seller's role. These first privatization transactions presented an alternative to budgetary subsidies in order to avoid bankruptcy.

Although central budget received scanty income form these selling, most real privatization in the late 1980s resulted in survival and stabilization of the firms concerned. "Spontaneous privatization", however, proved to be a failure in two respects. First, in the lack of fresh capital and new markets corporatization provided only temporary relief. Most enterprises introducing transformation into a group of companies, went bankrupt within a few years or disappeared as large firms as enterprise centers lost their majority shareholding positions in subsidiaries. Second, evolving new political forces sharply criticized the process, claming the lack of public control and incomes and blaming enterprise management to convert it's positional-political capital into economic advantages. Albeit this accusation was well founded in several smaller transactions, it did not hold in a sense that managers became owners in their big firms.

2.2. The failure of centralized selling in early 1990s

Influenced by the general suspicion concerning the transformation and privatization of state enterprises, after the free parliamentary elections the new government tried to introduce centralized control over the transactions. All decisions were concentrated to State Property Agency (SPA). The goal of centralization was to constrain enterprise autonomy, strengthen the power position of the state in the economy and collect all revenues form selling. The new administration intended to sell firms quickly and without prior restructuring.

Centralized sales proved to be very slow. Out of the twenty firms listed in the First Privatization Program, only two were sold during one and a half year. Second Privatization Program, concerning shell companies and the program for construction and wine industry never even took off. The exception to the rule is the so called small privatization, the sale of retail trade, shops and restaurants. The auction form and the introduction of preferential credit was helpful in this sector.

The reasons of the poor results included the prevailing economic crisis and the worsening financial and market position of individual firms. Centralized decisions of a inexperienced, overloaded governmental agency, the case by case approach in selling hundreds of firms, including small ones, did not help to privatize quickly and at high prices.

Considering these constraints, the government introduced corrections concerning both centralization and the dominance of selling for cash. Restructuring before privatization also occurred on the scene.

2.3. Loosening the centralization of decisions - increasing governmental subsidies

In Autumn 1991 State Property Agency initiated self-privatization in order to speed up the process. Involving nearly 500 small and medium size enterprises in this special project, the SPA gave up the case by case approach. The Agency reserved for itself only legal control and delegated rights and responsibilities of selling to consulting firms. These consultants had well defined incentive scheme, with their compensation depending on the speed of privatization and price. As a result, most enterprises covered by the program were sold.

While "privatization without restructuring" remained valid for most part of the economy, form 1992 on governmental redistribution of incomes had extended in special segments. Besides bailing out certain big firms, several packages of restructuring were introduced like the preferential treatment of the "dirty thirteen" big companies and the waves of credit, debtor and bank consolidation. (Only this last measure cost 400 Bn. billion HUF, more than all privatization revenue up till than.) One part of the investment in reorganization was recovered later on by selling firms and banks restructured.

The expansion of subsidies was partly due to the growing number of economic units near to bankruptcy in the early 1990s and partly to the turnover in privatization policy. Distribution of assets required restructuring before privatization. Citizens and institutions do not accept shares and portfolios with a weak performance, even if it is a gift from the state.

2.4. Free distribution and preferential selling

Although the first privatization laws of 1990 included free distribution (like the law on compensation and on local governments), most practical steps were postponed up till 1993. Distribution of state assets aimed at strengthening the financial autonomy of several institutions, at maintaining social justice and at creating a broad and vigorous proprietary middle-class in Hungary. Instead of maximizing revenues, the government gave priority to social and political goals in 1993-94.[4] The failure of selling state assets, attributed mainly to lack of demand played a

[4] For a detailed comparison see Bornstein (1997)

part in this turnover just like the intention to gain votes on the forthcoming parliamentary elections.

Beneficiaries of distribution included institutions and individuals. Churches claimed back more than 6000 buildings (mainly schools and charity institutions), local governments received the ownership rights of firms with special local functions and got shares of privatized companies according to the value of the land that was used by them. Social security funds received minority shares in several dozen companies in value of 65 Bn. HUF. After lengthy debates, this process was completed only in 1996 but the funds were renationalized two years later.

The main method of free distribution concerning certain groups of individuals was restitution, a special mode of reprivatization in Hungary. Compensation notes in value of 220 Bn. HUF were given to two million citizens, deprived of their properties or specific human rights during Word War II. and the decades of socialism. The free tradable notes could be used in auctions for agricultural land, could be converted into shares of state firms on stock exchange or solved as a substitute for cash in paying the price the privatized companies. (The process of restitution has not been completed up till Autumn 1999.)

As an attempt of quasi-free distribution to every citizen, similar to the Czech coupon-system, the Small Investor Share Program was implemented. The first phase of program, started right before the parliamentary elections in Spring 1994, involved only two companies. The new government did not continue the project.

The most widespread tool of preferentail selling was Existence loan. The long term credit with a five year grace period and an interest rate much lower than inflation, could be used only for buying state assets from SPA. E-loan played a role in more than 400 transction in value of 68 Bn. HUF between 1990 and 1998 and contributed to employee and management buyouts. Besides that, employees of all enterprises could buy shares in their company on preferential terms up to ten per cent of the assets, even if the firm was sold to outside investors. Other preferential methodes were used rather rarely, privatization leasing for instance appeared in 27 cases in value of 6 Bn. HUF.

The methods of free distribution or preferential selling helped accumulating domestic private capital, but not in the intended scale and not necessarily for the social strata targeted. As it turned out soon, most beneficiaries were either unable or unwilling to behave as long term investors. They quickly sold compensation notes, even below the nominal value. Hard-pressed either by lack of capital or by debt, the new entrepreneurs like ESOP organizations often sold their shares to outsiders. Similarly, local governments and other non-profit institutions have begun putting their shares on the market to cover their current expenditures, while they remained dependent on central budget, too. Social security funds are the most obvious examples for weaknesses in asset management abilities, hardly better than those of central government.

2.5. Success of centralized selling in the mid 1990s

The new socialist-liberal government elected in 1994 announced changes in privatization policy. Due to conflicts of interests and several political tensions inside and between the coalition parties and their supporters, the new privatization law was enacted only in Spring 1995. Distribution methods did not disappear with the exception of Small Investors Program. The government was legally bound to continue compensation and the transfer of state assets to social security funds and local governments. While the terms of Existence Loan became less favorable and thus the demand decreased significantly, new kinds of preferences occurred. This was the period when Management Buy Out was enacted as a special form. Initial Public Offerings for the most part remained undervalued, producing especially high return to employees of the companies concerned, who could buy shares at a special option price. Other small investors on the stock exchange often received the preference of install payment. Within the framework of "simplified privatization" involving several dozen small firms, employees and management were preferred in the absence of outside investors. This program, however, proved to be less widespread and successful than self-privatization, mainly because the lack of delegation decision making rights to private firms.

Despite these distribution methods inherited or newly created, the government gave priority to high cash income after 1995. The main motivation of the turnover was the unavoidable introduction of a macro stabilization program. The balancing of central budget required not only to cut back expenditures but also to increase revenues, including privatization incomes. Considerable sums could be expected from selling firms in energy sector and infrastructure. Within one year, majority shares of 13 companies (gas and electricity suppliers along with power plants) were sold to strategic investors. The private owners of Hungarian telecommunication company increased their stake in the firm, thus achieving majority position. The first share packages of the Hungarian Oil Company and of the largest retail bank were introduced to Budapest Stock Exchange. This was the overture of involving private capital into the banking sector. The state income gained from these transactions reached 440 Bn. HUF, nearly the double of the total cash privatization revenues realized up till than.[5]

[5] On privatization of the enery sector see Mihályi (1996), on banking sector Várhegyi (1998)

The success of privatization by centralized methods in the second half of the 1990s is closely connected to its origin, to the success of stabilization program. Due to the improvement of macro economic conditions and the decreasing country risk foreign firms and institutions became more interested in investments in Hungary. Besides that, stabilization occurred on the micro level, too. More and more firms could be introduced in the Stock Exchange. Initial Public Offerings played an increasingly important role in selling state shares. Along with foreigners and institutions, this provided an opportunity also to small domestic investors to be involved into privatization. They became owners of companies but obviously in a different way than it was proposed by former preferential and free distribution methods. To the contrary to the first privatization period, centralized decisions did not hinder selling in this period because the small number but large size and strategic importance of the firms concerned.

To sum up, during the last decade every reasonable method of privatization had been used in Hungary.

Privatization Methods in Hungary

A. Free distribution	
to whom?	***How?***
Every citizen	Small Investors Share Program
certain citizens	restitution
certain institutions	transfer of assets to local governments, churches, social security funds
B. Sale	
B.1 Preferential modes of sale	
to whom?	***How?***
Position dependent	MBO, ESOP organizations, individual employees
Open	Existence Loan, install payment, privatization leasing
B.2 Traditional modes of sale	
to whom?	***How?***
Local buyers	Small Privatization (auction)
local and foreign investors	direct sale (public competition, public tender, private placement, public offering)

Source: Csillag-Ludányi-Voszka (1997)

Thus, privatization in Hungary has been a process of changing and mixed nature form the viewpoint of both objectives and methods. As the brief description of different periods shows, most of the methods have not disappeared with the turnover of the dominant approach. With some exceptions (like self privatization or Small Investors Share Program), they preserved a supplementary role for the rest of the time. These characteristics have the drawback of making the process incalculable for all participants and resulted in a certain lack of transparency. We must not forget, however, the evident advantages. The flexible and pragmatic approach offered good opportunities to several social groups in the competition for owners' position. It also contributed to the relatively high speed and significant extension of changes in dominant ownership positions.

3. Benefits and weaknesses

Hungarian privatization has two major achievements: the rather small scale of state property and the presence of genuine private owners with concentrated ownership structures.

As for the first important result, most firms operating in retail and wholesale trade, light and heavy industry were transferred to private hands till the end of 1998. Privatization has not refrained from the strategic sectors either. State share in telecommunication, banking and energy sector has been reduced to a low level even by West European standards. According to official statistics, private firms account for nearly eighty per cent of GDP.

Private domestic ownership approached 40 per cent and together with foreign investors the share of private property reached almost three-forth of the assets in 1997.[6] Central and local governments owned 16 and 9 per cent, respectively, while other non-private institutions two per cent (Table 1). New start ups and green field investments along with value losses and liquidation of state enterprises contributed to these results, but privatization in the strict sense of the word has played a major part. As Table 2. indicates, from the 1858 enterprises in privatization agencies' portfolio 1739 were corporatized and 1188 (68 per cent) fully transferred to private investors till the end of 1998. Reducing the initial number with numerous liquidations and transfers to other asset management institutions, the portfolio of the central privatization institution included 218 firms.

The other main achievement of significance is the fact that the majority of the formerly state-owned enterprises was transferred to genuine private owners. Due to privatization methods applied, the role of indirect state ownership is not widespread. In lack of mass privatization, investment funds or mutual funds are not present as owners. Para-state institutional investors like local governments or social security funds are not listed as private owners and their share is modest. Despite of the unstable and mixed character of Hungarian privatization, the final analysis shows the predominance of standard selling methods rather than special distribution forms.

[6] Note, statistics take all foreign investments as private, although in several cases, mainly in energy sector and telecommunication the new shareholders are state or municipality owned themselves.

The statement can be supported by the structure of privatization incomes. As Table 3 indicates, nearly 80 per cent of all incomes was cash and more than the three-quarter of the latter (that means, 60 per cent of the total sum) was paid in foreign currencies. The proportion of compensation notes was 11 per cent and preferential E-loan did not reach 5 per cent.

Selling for cash to investors who risk their own capital has proved to be important not only from the point of view of budgetary incomes but even more in context of corporate governance. Mainstream economic literature argues that the effective restructuring of firms in post-socialist economies requires that the ownership should be dominated by one or some hard core investors.

Recent publications indicate that most Hungarian companies meet this criterion. Analyzing a sample of firms 100 to 2000 employees, Tóth (1998) found that 75 per cent had three owners or less and in 80 per cent there was one majority owner in 1995 (Table 4). On an other sample of big firms (with turnover exceeding 200 Bn HUF) Kovách and Csite (1998) found 85 per cent of firms had one majority owner in 1997. Broad-based, dispersed ownership does characterize several dozen big firms, listed on stock exchange, but in these cases the capital market effectively exercises control.

The presence of strategic investors with a concentrated ownership structure, which provide additional capital, management skills and access to new markets, has probably played a decisive role in restructuring Hungarian companies and improving their competitiveness. This conclusion is supported by the example of the country's 100 largest firms, ranked by sales. In some respect, this group might be considered as a successful part of the economy. The ownership structures of the "Top 100" show that three-quarter of the group has one dominant owner (Table 5), while the rest is listed on the stock exchange.

As Table 1. and 3. indicate, foreign ownership exceeds one third of assets and amounts sixty per cent of all state privatization incomes. Total direct investment, including green field operations, reached 18 Bn. USD by the end of 1998. A significant portion of shareholders in this category are multinational firms. Most of the strategic investors in big firms are foreign, too. The connection of Hungarian firms with multinationals gives them access to corporate marketing and other networks and provides a more global perspective on investments, finance and markets.

On the other hand, some view this concentration of decision-making power as one of the primary risks of Hungarian privatization. Concentration appears not only in the ownership structure of individual firms but also in terms of the economy's overall assets and output. The 200 largest companies accounted for more than the quarter of net sales and more than the half of the profits in 1998 (Figyelő 1999). Although several big firms were broken up into smaller units as a result of spontaneous privatization or governmental decisions, privatization in many sectors preserved national or regional monopolies. Market concentration has been strengthened by the recent wave of mergers that has not caught up private firms and their owners. The dominance of a few large enterprises in several sectors has acknowledged drawbacks. Not only does it mean less competition but makes Hungarian economy more vulnerable to market cycles and to the changing strategies of foreign investors. The cutback of the production or exports by even a few of the biggest firms could cause significant troubles for the economy as a whole.

The other weak point is the social ambiguity surrounding the legitimacy of privatization and private property in general. The fortunes made in privatization during the last decade, are looked upon with suspicion. Considering the limited transparency of the process, the direct political influence on several decisions and some revealed scandals, public opinion seems unlikely to turn more favorable in the near future.

In order to change popular attitudes, people will have to be convinced by their everyday experiences that individual wealth is closely linked to performance. They will have to see evidence that initial acquisition of property is not a life-time guarantee of financial success and that competition ultimately eliminates incompetent or unfair owners.

Looking back on the past ten years, we have the impression that Hungarian governments have been more successful in reaching economic goals than long term social targets both with respect to the legitimacy of new economic regime and to the direct influence on social structure.

4. The end of privatization?

By distribution or sale, for good money or as a bargain, with corruption and scandals or by fair trading the bulk of state-owned property in Hungary has been given into private hands. Given that the ownership structure is already fairly similar to that of several West European countries, the end of institutionalized privatization, as the central issue of economic policy, might be declared at any time. This declaration, however, does not necessarily mean that privatization is completely over. There are assets to be sold and open issues to be resolved.

From 1992 on state assets are divided into two categories. Besides shares to be sold, there is a group of companies with long term state ownership. This means that the state intends to reserve a stake in the firms concerned from one golden share to hundred per cent. The list of the companies and the proportion of long term stake might be revised, preferably reduced at any time by legal amendment. At the end of 1998 more than 180 firms fall in this category, in 31 cases only with one golden share. Branch ministries were the owners of 91 units, and the rest with an asset value of 300 Bn. HUF belonged to the central privatization and asset management organization. (Table 6).

Aside from these reserved enterprises, the central holding controlled 126 companies with nearly the same value that could be sold even by current legislation. Hungarian Investment Bank, a hundred per cent state owned institution is also an asset manager, assigned for selling an other several dozen firms after they are restructured. In addition, after the renationalization of central social security funds in 1998, a package of shares with a nominal value of 65 Bn. HUF is to be transferred to new proprietors. Taking all these into account, state property worth 300 to 500 Bn. HUF could be put on the market in the near future.

The privatization leftover is a heterogeneous group of companies, considering sectors, sizes and future perspectives. Some of them are on verge of liquidation, like so called shell companies, another package contains minority shares of well performing firms listed on the stock exchange.

Thus, open issues before closing privatization include the determining the scope of long term state ownership, building a new legal and institutional framework for selling the leftover and for controlling the residual state property. Debates on these questions started as early as 1997. Despite of detailed proposals of several governmental apparatuses and consulting firms, no final decision had been made up till Autumn 1999. International experience provides no general model of state asset management. National systems are influenced not only by the number, size and other economic characteristics of the firms concerned but by traditions and several cultural factors. As they did in the case of privatization, Central East European countries will have to find their own approaches to state asset management.

The closing of institutionalized privatization does not mean the end of changes in ownership structure. Intended or forced renationalizations, motivated by the withdrawal of private investors, financial troubles of certain firms or changes in governmental strategy may occur from time to time. This will keep up privatization, just like the selling of assets by other communal owners such as local governments. The main form of transactions in the future, however, will be the trade of shares between private investors. The two most important trends are increasing concentration in some industries (as it has already started in food industry or in the wholesale of pharmaceuticals) and acquisition of financially weak companies, often with the purpose of reorganizing and then selling them.

A new phenomenon, that might have growing importance in the coming years, is capital export by Hungarian firms. A significant group of companies with new owners seem to be interested in investments abroad. As privatization is speeding up in neighboring countries, opportunities are growing. In such deals, Hungarian companies will be able to profit from experiences gained in their own privatization.

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Table 1

Ownership structure of companies
(per cent in assets)

Owner	1992	1993	1994	1995	1996	1997	1998
Hungarian individual	9,8	11,9	12,3	12,4	11,6	11,3	12,0
Domestic company	12,4	14,2	17,1	19,9	20,5	24,1	27,2
Co-operative	2,8	2,6	2,6	2,0	1,8	1,6	1,6
ESOP organization	0,1	0,3	0,9	0,9	0,8	1,2	0,4
Total domestic private owners	**25,1**	**29,0**	**32,9**	**35,2**	**34,7**	**38,2**	**41,2**
Foreign owners	10,1	16,1	18,9	28,4	31,5	35,3	39,1
Total private ownership	**35,2**	**45,1**	**51,8**	**63,6**	**66,2**	**73,5**	**80,3**
Central government	58,9	48,4	40,4	29,5	22,4	15,8	10,4
Local governments	5,1	5,8	6,6	5,9	10,2	8,9	6,9
Other	0,8	0,7	1,2	1,0	1,2	1,8	2,4
Total state and other	**64,8**	**54,9**	**48,2**	**36,4**	**33,8**	**26,5**	**19,7**
Total	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

Source: Pitti, Zoltán (1999)

Table 2

Corporatization and privatization of state enterprises 1990-1998
(number of firms)

State owned enterprises in 1990	1858
Corporatization and other changes in 1991-1998	
Transformation into company form	1302
Balance of transfer to and form other asset management organizations	83
State enterprise in 1998	2
Liquidated	471
State owned companies	
Transformation into company form	1302
New establishment x/	407
Transfer from other asset management organizations	30
T o t a l	**1739**
Privatization and other changes in 1991-1998	
100% privatized	1188
Liquidated	251
Transfer to other state organizations	80
Asset management contract	2
State owned companies in 1998	218

Source: Hungarian Privatization and State Holding Company, Privatization Monitor December 1998

x/ Mainly split ups

Table 3

State revenues from privatization (1990-1998)

Form of the income	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
Cash - HUF	0,14	4,81	17,51	17,55	27,61	25,71	25,09	108,36	60,58	287,36
Hard currency	0,53	24,61	40,98	110,67	10,95	412,05	77,50	193,35	38,62	909,26
Total cash	0,67	29,42	58,49	128,22	38,56	437,76	102,59	301,71	99,20	1196,62
Compensation notes	-	-	2,26	14,56	64,20	18,48	41,63	22,66	4,19	167,98
E-loan	-	1,01	9,07	21,72	29,27	3,92	2,44	0,30	0,99	68,72
Other	-	0,93	7,41	5,41	24,64	13,81	11,30	25,08	7,54	96,12
Total revenues	0,67	31,36	77,23	169,91	156,67	473,97	157,96	349,75	111,92	1529,44

Source: 1990-1996: Central Statistical Office, 1997-98 HPSHC.

Table 4

Big and Medium Size Firms[x] According to Number of Owners and Majority Ownership (1995)

per cent

Number of owners	Proportion of firms	Proportion of firms in the category with majority owners[xx]
One	19,0	19,0
Two	31,0	29,0
Three	25,2	19,0
Maximum three	75,2	66,2
More than three	24,8	14,8

x Number of employees between 100 and 2000
xx One owner with a stake more than 50 per cent
Source: Ábrahám (1996)

Table 5

Concentration of ownership structure of "Top 100"
(1997)

Number of owners	Number of firms	Per cent of registered firms (N=100)	Number of firms with one majority owner[1/]	Per cent of firms with one majority owner (N=100)
One	50	50,0	50	50,0
Two	5	50,0	5	5,0
Three	1	1,0	0	0,0
Maximum three	56	56,0	55	55,0
More than three	44	44,0	18	18,0
Total	**100**	**100,0**	**73**	**73,0**

1/ With more than 50,1 per cent of shares

Source: Voszka (1999)

Table 6

The portfolio of central privatization and asset management organization (1998)

		Number of firms	**Asset value (Bn HUF)**
Position	Majority	135	n. d.
	Minority	83	n.d.
Assets	Long term state ownership	92	303,2
	To be privatized	126	278,1
	other	-	20,4
Total		218	601,7

Source: Hungarian Privatization and State Holding Company Privatization Monitor December 1998