



## Privatization: Monthly Review

### Focus

- The initiation of new bills, which lobby the interests of individual companies or branches of industry, is still a common practice in the Ukrainian Parliament
- Budget-2006 has been approved as well as the basic benchmarks of privatization for the next year.
- The government and Fund of State Property of Ukraine (FSPU) have completed the formation of the privatization lists for 2006.
- The government and FSPU started to make practical steps to go ahead with peaceful settlements. Re-privatization actions are pressing on yet.
- Both privatization decline and efforts aimed at perfection of state property companies management are clearly observed.



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### Main Risks

FSPU continues to evade from developing the national privatization policy. Its main focus of attention is concentrated at the government property sector management. **There is certain risk for the government and Ministry of economy, being involved in other urgent problems, to treat privatization policy and legal framework requirements spontaneously and/or under the influence of separate groups lobbying their own interests.**

The list of strategic companies planned to be sold to meet the Budget needs remains unclear. Taking into account the approaching elections it enhances **risks of political conflicts in selection of strategic companies and may block again the privatization process.**

Ukrainian officials do not have the strategic vision for formation of the state property sector of economy. **It continues to develop under the random influence of directors of separate state companies or ministries of certain branches of industries and may potentially slide into unexpected to public opinion configuration.**

Parliament and government are being late with legal adjustment of the process of property rights revision. The government made first practical steps to sign peaceful settlement agreements with the owners but official recognition of this approach is not yet achieved. **This again bears in itself the risks of voluntarism and even corruption in selection of the privatized business entities and sums of additional payments.**

**The indecision in regard of the re-privatization lists provokes risks to raise a new wave of conflicts around them. It demonstrates clearly that the authorities have not scraped off the desires to change owners of disputable companies.**

## Formation of policy and legal framework adjustments (December)

Formation of policy and legal framework adjustments in the privatization process continues to be spontaneous and is being done at random under the influence of contradictory interests.

### *The basic trends of policies*

FSPU today has, in fact, alienated from its traditional function – initiator of the system policy of privatization and its main attention is focussed at the issues of development of state sector. Privatization actions of FSPU are limited to small (small-size packages of shares of entities in Group A), unattractive and inefficient companies which the state sector wants to get rid of. The draft Programme of privatization in 2006 of December 22, 2006, put forward by FSPU, as read at the State Committee of economic issues, included preferably the above-mentioned companies. The list has lost such investively attractive and large companies, which were quoted earlier, – “Ukrtelecom”, “Turboatom”, Odessa Port Factory, etc.

The government and the Ministry of economy, being too busy with the other urgent issues, did not yet activate its function of forming the system policy of privatization. It can be summed up that in the last months of 2005 the government, taking into account the Parliament elections and sentiments after the successful sale of “Krivoriizhstal” package of shares, in fact, resorted to undeclared moratorium in privatization of large companies<sup>1</sup>. After Yulia Timoshenko’s government resignation even the initiated procedures of preparation of large companies for privatization had been “frozen”. By the government decision of December 23, 2006 seven former documents enlisting the top-priority privatization entities for 2005<sup>2</sup> has been officially cancelled and a new list of business

partnerships and holding companies, which packages of shares are to be sold in 2006, was declared<sup>3</sup>.

### *New legal framework initiatives*

In December 2005 the Ukrainian Parliament registered and read such new bills concerning privatization:

- “About introduction of amendments to the Law of Ukraine “About the list of entities of state property not liable for privatization” (concerning the inclusion of OSC “NAK “Ukragrolising”), registration of 13.12.2005, No.8191-4.
- “About peculiarities of privatization of Krivoriizh mining and oxidized ore-enriching complex”, registration of 14.12.2005, No.8576 (concerning the obligatory requirements to the investor, etc.).
- “About temporary ban to sell the real estate property and other main means of production which constitute the wholesome property complexes of the business entities in sugar production”, adopted of 14.12.2005, No.6113 and cancelled by the second veto of President of 27.12.2005.
- “About peculiarities of expert-technical centres privatization”, registration of 16.12.2005, No.8615.

On December 13, 2006 the Special control commission of the Ukrainian Parliament in privatization issues suggested recommendations to the government in regard of developing the new bill about peculiarities of “Ukrtelecom” privatization<sup>4</sup>.

The bill was recommended to include the terms of post-privatization activities of “Ukrtelecom”, ban to re-profile the company, provision of the general access to telecommunication services for the users including the state bodies and guarantees of

<sup>1</sup>

[http://bin.com.ua/templates/analitic\\_article.shtml?id=50615](http://bin.com.ua/templates/analitic_article.shtml?id=50615)

<sup>2</sup> Decision of Cabinet of Ministers of Ukraine of 26.12.2005 No.571-p

<sup>2</sup>

<sup>3</sup> The decision of Cabinet of Ministers of 26.12.2005 No.570-p

<sup>4</sup>

[http://www.dn.kiev.ua/privatisation/ukrtelec\\_1312.html](http://www.dn.kiev.ua/privatisation/ukrtelec_1312.html)

failure-free functioning of telecommunication network of “Ukrtelecom” under emergency or force major conditions. This initiative was undertaken by the commission because the President and the government initiated “Ukrtelecom” privatization following the pattern of re-privatization of OSC “Krivorizhstal”.

The deputy director of FSPU O.Bondar considers the successful example of re-privatization of OSC “Krivorizhstal” as inspiring one for the privatization of large companies in the next year in the format, most probably, of contest with the auction elements<sup>5</sup>.

#### ***Budget-2006 defined the basic benchmarks for privatization-2006.***

As of December 20, 2005 the Ukrainian Parliament, after complicated process of agreement between the budget commission and the government, under the pressure of President V.Yushenko and the Parliament's Speaker V.Litvin, approved the Budget-2006 Law<sup>6</sup>. The budget-2006 preserved all the basic benchmarks for revenues from state property privatization. The FSPU proposal to decrease the planned revenues to budget from privatization of state property to the level of UAH 2.1 billion was accepted (in Budget-2005 it was UAH 6.9 billion, but real revenues, taking into account sale of “Krivorizhstal” package of shares, reached UAH 20.683 billion as of December 23, 2005<sup>7</sup>. This benchmark was determined using the suggested by FSPU list of companies and does not take into consideration the potential revenues from the strategic objects sales, list of which should be decided by the separate decision of the government. The resources from privatization sales are to be invested into innovative and investment kids of projects.

The new format of privatization has been introduced with the help of the law about

Budget-2006. It envisages the mandatory privatization of the state companies with the pertaining grounds. Some separate articles of the Land Code of Ukraine are amended with additional stipulations delegated to the privatization bodies which never dealt with land transactions before.

#### **Revision of privatization results (December)**

The re-privatization issues remain resonant for this country in December too. The government's refusal to use the shocking methods of political re-privatization has initially produced the considerable positive influence on the investors. Businessmen accepted the persistent signals from new government with hope. But delays with legal amendment of the new approaches to the process of revision of privatization results gradually began to produce disappointment. The absence of legal framework guidelines pushed the government to practical actions to prepare the peaceful settlement agreements with the owners of the disputable companies. Besides, the problem of the further destiny of those companies which were enlisted for re-privatization in the first “wave” stirred by Yulia Timoshenko's government, remains unclear. The court litigation about legality of their privatization is still on. The new flashes of conflicts around OSC “Nikopol FerroAlloy Plant” are registered once again.

#### ***Peaceful settlements***

In the beginning of December government and FSPU were negotiating the peaceful settlement agreements with 12 disputable companies<sup>8</sup>. The government claims were taken out of limits of any political brackets.

In mass media reports<sup>9</sup> of December 7 the government had a meeting where the list of companies for peaceful agreements had been

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<sup>5</sup>[http://www.politican.com.ua/web/2\\_n.php?rej=1&idm=23833&idr1=2&idr2=0&idr3=0&kv\\_m2=0&kreg=&len g=1](http://www.politican.com.ua/web/2_n.php?rej=1&idm=23833&idr1=2&idr2=0&idr3=0&kv_m2=0&kreg=&len g=1)

<sup>6</sup> <http://www.kmu.gov.ua/document/21475299/budget.rtf>

<sup>7</sup> <http://www.spfu.gov.ua>

<sup>8</sup>

<http://uatodaynet/news?class=1&cate=2&date=1134056367&mat=38038&phtml>

<sup>9</sup>

<http://uatoday.net/news?class=1&categ=2&date=1134056367&mat=38038&phtml>

approved. This included CSP “Rosava”, CSP “Crimean Soda Plant”, CSP “Makiivka Metallurgy Plant” and CSP “Crimean Titan”. These companies play a significant role in the Ukrainian economy and their products are competitive at the international markets. As it was declared in mass media in replacement for removal of claims the government plans to achieve peaceful settlement agreements with the owners of the enlisted companies concerning additional payments which will be used as production investments. Prime-Minister indicated deadlines to what dates the peaceful agreements with owners should be reached – till the end of the current year.

Experts forecast the high chances for the government to implement the suggested scheme of peaceful settlement agreements as it is acceptable for the investors. But its practical implementation without the adequate legal guarantees puts the distinct risks. It promotes incentive to voluntary approaches both for enlisting of the companies and the sizes of additional payments. And this is a real threat of corruption creeping in. Besides, some experts see the difficulties in excessive number of entities to which the government may claim, what can be summed up in the principle: “Either claims to all or “maidan’s ideals are going to be failed”<sup>10</sup>.

Analysis of the situation at the enlisted companies clearly demonstrates that, generally speaking, (with the exception of OSC “Crimean Soda Plant”) it is necessary to work at the issues of recovery of investment attractiveness of the lost by the government packages of shares.

- CSP “Rosava”<sup>11</sup> is the joint Ukrainian-Irish venture, founded in 1999. The Ukrainian side is represented by the property complex CSP “Rosava” (49%). The foreign partner is the company “Tabiastron” (51%). In May of 2001 the executive office of Ministry of Justice,

bypassing the procedure of privatization and meeting the claims of the creditors, sold for UAH 4 mln 49% of shares of CSP “Rosava” belonging to the state. After evaluation done by FSPU in the process of privatization its value was set at UAH 103 mln. The sale of the package of shares belonging to the state from the Statutory Fund of CSP “Rosava” made it unattractive to investors (the state company lost its basic production complex).

- OSP “Crimean Soda Plant”<sup>12</sup> – the package of shares of 89.48% was sold at privatization contest. The winner of the contest was Partnership “Financial company “Clearing House” which later, at FSPU permission sold this package of shares to German company RSI Erste Beteiligungsgesellschaft GmbH. The legality of privatization was later claimed in 2005 in Pechersk district court in Kyiv by the natural person using the pretext that the applied contest conditions did not allow him as a citizen of Ukraine to have his free chance in the contest.
- CSP “Crimean Titan”<sup>13</sup> is a joint Ukrainian-German venture, set up according to the Presidential Decree in 2004. The government has invested to the Statutory Fund of the joint venture the main assets of SSC “Titan” (50%+1 share). The foreign investor is company RSI Erste Beteiligungsgesellschaft GmbH (50%-1 share). The joint venture has signed the contracts to rent for 5 years Vilnogrisk and Irshan mining and ore-enriching complexes. As a result it formed the integrated-

<sup>12</sup>

<http://proua.com/print.php?p=news/2005/03/23/113239.html>

<sup>13</sup>

<http://proua.com/print.php?p=news/2005/03/21/174201.html>; President’s Decree of 07.07.2004 No.765/2004

<sup>10</sup> <http://www.business.ua/i673/a22389/>

<sup>11</sup> [http://www.korrespondent.net/display\\_print.php?arid=19284](http://www.korrespondent.net/display_print.php?arid=19284)



vertical system which has broken the traditional system of raw supplies to the other state companies. Taking into account this situation on March 15, 2005 the Special Control Commission of Ukrainian Parliament in privatization issues appealed to the President to cancel his Decree about setting up CSP “Crimean Titan”. FSPU initiated the court litigation concerning the sales of packages of shares of Vilnogirsk and Irshan mining and ore-enriching complexes which were sold with violation of the above-mentioned Presidential Decree and became property of CSP “Crimean Titan”.

- CSP “Makiivka Metallurgy Plant” was set up using the main part of the property of OSC “Makiivka Metallurgy Complex” with the participation of “Smart-group”. As a result the state property was left over with 24.99% of shares of CSP “Makiivka Metallurgy Plant” and 60.8% of shares of OSP “Makiivka Metallurgy Plant” (state company without the main production complex). As these packages of shares lost its investment attractiveness FSPU discussed with “Smart-group” an issue of selling them.

In expert evaluation done by company R&J Investments, the government may get \$200-250 mln of additional payments for the first four companies<sup>14</sup>.

The first business entity where FSPU will test the peaceful settlement approach is CSP “Lukor”<sup>15</sup>. This company has been set up in October 2000. The government invested the oil-refinery complex OSP “Oriana” from the Ukrainian side. Partnership “Lookoil-Naftohimik” became the second partner and, according to the agreement, was obliged to supply technological equipment and raw materials to the Statutory Fund of the new

company. Initially the Statutory Fund of CSP “Lukor” was divided by half between the partners. Today the government share in the Statutory Fund of CSP “Lukor” has shrunk to 47.93%.

The General Office of Public Prosecutor has investigated that Partnership “Lukoil-Naftohimik” invested its securities (107 own shares with estimated value of UAH562 mln) in the Statutory Fund of the new company with violation of the contract. The experts underline that the shares of Partnership “Lukoil-Naftohimik” were not legalized for circulation in Ukraine and their real value does not exceed UAH15 mln. In September of 2005 General office of Public Prosecutor opened a criminal case in the court in regard of this issue. In order to settle conflict around this disputable question the government suggested to apply the procedure of peaceful settlement. On November 25, 2005 and on behalf of Prime-Minister the director of FSPU V.Semeyuk had a joint meeting with representatives of CSP “Lukor”<sup>16</sup>. As a result it was preliminary agreed to replace the initial investment of Partnership “Lukoil-Naftohimik” to the Statutory Fund of CSP “Lukor” with the real investment of \$300 mln<sup>17</sup>. It will provide for the re-equipment of oil-refinery in Kalush, Ukraine into the highly-efficient and competitive company of European level.

In December it is reported the negotiations are to be completed to sign the first peaceful settlement, initiated by FSPU, with the owner of the control package of shares of Kherson Cotton Factory (KCF) – CSA “Volin Silk Plant (controlled by the Ukrainian-Tadjik Partnership “Ukrainian Cotton Company”)<sup>18</sup>. In June 2004 the

<sup>16</sup> [http://www.e-news.com.ua/Energy/LukoilNaftokhim\\_zamenit\\_svoj\\_vznos\\_v.html](http://www.e-news.com.ua/Energy/LukoilNaftokhim_zamenit_svoj_vznos_v.html)

<sup>17</sup> [http://www.spfu.gov.ua/ukr/news\\_big.php?id=1291&noanons=noanons&all\\_news=&page=1](http://www.spfu.gov.ua/ukr/news_big.php?id=1291&noanons=noanons&all_news=&page=1)

<sup>18</sup> <http://www.delo.ua/ru/.../2290.html?PHPSESSID=0a7643ffd16d0270eb7bc3b94fa9ecb>

<sup>14</sup> <http://www.ma-journal.ru/monitor/?date=08/12/2005>

<sup>15</sup> <http://www.podrobnosti.ua/print/economy/indastial/2005/09/23/246021.html>; ...[05/12/211502.html](http://www.podrobnosti.ua/print/economy/indastial/2005/05/12/211502.html); <http://www.zerkalo-nedeli.com/ie/print/48277/>

package of shares, 51,76%, belonging to KCF was sold to CSP “Volin Silk Factory” for UAH18.63 mln (25% of shares were secured as the state property). The sale-purchase contract conditions underlined the following financial liabilities: to pay the overdue credit debts of KCF of UAH20 mln to the State Budget and Pension Fund, then to pay back the bank credit of \$1,556 mln. As contract obligations are not being fulfilled the government put forward some claims to the new owner. The peaceful settlement will concern the fulfilment of investment obligations by the owners, first of all, to pay salaries indebted to workers and overdue revenues to the State Budget<sup>19</sup>.

Thus, the real application of peaceful agreements at CSP “Lukor” and KCF demonstrate that mechanism of peaceful settlements is expanded in wider format than it was assumed initially. Earlier the peaceful approach was thought to be applied in irregular legal cases – as a means of “restoration of justice” in regard of claims of the society to make up for the “unfair” distribution of state property (especially in those cases when state companies have been sold at discount prices and with hands-on limitation of competition). But in reality the peaceful agreements begin to be applied in cases of real violations when the owner agrees to rationalise the conflict resolution without any risk to lose his ownership rights. The government, on the other hand, avoids long-term court litigations.

### ***Conflict around OSC “Nikopol FerroAlloy Plant”***

OSC “Nikopol Ferro-Alloy Plant” (NFP) is one of the largest resonance companies which was hit by the “re-privatization wave” stirred by the first government by Yulia Tymoshenko. At the end of August 2005 the High Economic Court of Ukraine claimed legality of privatization of NFP. The package of shares 50%+1 share, which was bought by chips in 2003 at the

contests by the consortium “Pridniprivia” (controlled by V.Pinchuk) should be returned to state property<sup>20</sup>. The basic transgression was the shorter term for the contest than it was stipulated by the Government Program of Privatization for 2000-2002 (30 days instead of 75). Though this amendment of the Program was not reflected into privatization legislature it still carries on the term for the contest in 30 days. From expert point of view the re-privatization process is fuelled up by the corporation war which is waged by group “Privat”, the main competitor of “Interpipe”, which tries to monopolize this brunch of industry<sup>21</sup>.

Being afraid of competitor's occupation of the plant by force, administration and workers of the plant went to protest on the main square of Nikopol, what created the risks of clashes of thousands of people with militia. The confrontation lasted 3 days. Escalation of the conflict became one of the reasons for Yulia Tymoshenko's government resignation.

After resignation of the first government and declaration by the President and Prime-Minister about the rejection of the re-privatization policy the owners and the workers of NFP began to hope to solve the conflict with the help of peaceful agreement. Many experts put forward their proposals in this regard<sup>22</sup>. But for three months President and Prime-Minister continue to declare that NFP is top-priority for re-privatization in 2006. The main competitor, group “Privat”, continue to be active. On December 16, 2005 the Economic Court of Dnipropetrovsk region took the decision to consider illegal the sale agreement of 50%+1 share of NFP as not complying to article 48 (contract is cancelled from the date of signing up if it contradicts the law) and article 59 (contract is illegal if it contradicts the interests of the

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<http://www.delo.ua/ru/news/2290.html?PHPRESSID=9b8f8cc7593d8592519783d7e625490c><sup>19</sup><http://www.delo.ua/ru/news/2290.html?PHPRESSID=9b8f8cc7593d8592519783d7e625490c>

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<http://ua.proua.com/print.php?p=news/2005/12/15/141753.html>

<sup>21</sup> Business, No.52, 26.12.2005. – page.29

<sup>22</sup> <http://www.versii.com/print.php?pid=9544>

state) of the Civil Code of Ukrainian Soviet Socialist Republic.

In the middle of December administration of NFP spread the letters appealing to international organizations to protect again of illegal actions of the state bodies of power<sup>23</sup>. The aggravation of the situation pushed the workers of NFP to protest again. They started to strike on the central square of Nikopol, about one thousand of them came to Kyiv, where they demanded to meet the President. At his meeting with NFP's representatives President declared about the need to settle this conflict by legal means. The President underlined: "I will not allow to re-privatize this plant through the system of "behind-the-curtain talks" with some partners on behalf of the Ukrainian government"<sup>24</sup>.

### Privatization (December)

The main December event was the official approval of the list of state companies for privatization in 2006. FSPU and government were fully involved in this action. There were no significant privatization events in December.

### Perspectives for 2006

By the end of December the government announced the list of state companies which are planned to be privatized in 2006. The enlisted companies were discussed at the sitting of the government of December 23, 2005. The Ukrainian Cabinet of Ministers' decree of 26.12.2005 No.570-p approved two lists of state companies which are to be prepared and privatized in 2006. The list No.1 included "The economic partnerships and holding companies, state packages of share of which (fragments) are to be privatized in 2006". This list embraces about 520 entities, out them group D include 25 or 4.8%. Among them we come across OSP "Nikopol SouthernPipe Plant", OSP "Naftohimik", OSP "Mariupil plant of heavy

machinery", OSP Ternopil Plant "Orion", AT Machine-building Association "Orion", etc.

Table 1. **The distribution of shares in package sizes (%)**

Amount of shares in package, %	Fraction to the general quantity, %
Total, including:	100,0
Up to 25%	43,5
from 25% до 50%	38,4
50% and higher	18,1

The list No.2 included "The state companies and open shareholding partnerships which are to be prepared for sale in 2006". This list embraces 23 entities, out of them only one OSP "Gorlibks machine-building Plant" refers to group D.

From experts and observers point of view the wave of privatization of large state companies in 2006 will not start earlier than the completion of the Parliamentary elections. There are certain evaluations that with a certain balance of parties in the Parliament the very possibility of privatization of large state companies may become problematic<sup>25</sup>.

### *The process of transfer of state property into private status in 2005*

FSPU has published the official information about the privatization results in November. As compared with October the number of privatized companies increased at 27.7%, mainly at the expense of entities of group A (small companies) and E (uncompleted construction sites). So within the period January-November 2005 as much as 811 entities have been privatized what constitutes only 64.7% as compared to similar period of 2004. As to the economic groups the companies may be split into the following: A – 67.1%, B – 1%, C,E – 27.1%, F -2.1%, G -8.1% (Table 2).

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<http://ua.proua.com/print.php?p=news/2005/12/15/141753.html>

<sup>24</sup> Business, No.52, 26.12.2005. – page 30

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<http://ukrrudprom.com/const/print.php?analytics/amd141205.html>

### Budget revenues

In January-October 2005 because of sluggish flow of privatization process the budget revenues benchmarks were not achieved (only 10.64% of the yearly plan). The situation radically changed in November when the revenues from sale of packages of shares of “Krivorizhstal” came to budget. In November the amount of revenues from privatization has been set at UAH20.67 bln (with deduction of

UAH4.26 bln, refunded to the former buyer of OSP “Krivorizhstal”). So the state budget has got UAH20.51 bln on the bank accounts. During January-November 2005 the plan targets has been overfulfilled in 2.4 times and exceeded the amount of actual revenues for the whole 2004 in 4 times. But in December the privatization of large state companies was limited and the revenues, once again, dropped.

**Table 2. Revenues to general fund of State budget from privatization of state property\***

years	Plan, UAH mln.	Collected revenues	
		Amount, UAH mln.	Fulfilment of yearly plan, %
2004	5162,21	9501,5	184,05
2005	6911,2 8573,82**		
January		102,5	1,48
February		9,7	0,14
March		26,7	0,39
April		16,9	0,24
May		485,5	7,02
June		44,0	0,64
July		8,5	0,13
August		13,7	0,2
September			
October		29,1	0,4
<b>Total in 10 months of 2005</b>		<b>707,5</b>	<b>10,64</b>
November		20510,0***	
As of December 23 from the beginning of the year		20683,3	241,24*

\*[http://www.spfu.gov.ua/ukr/reports\\_spfu.php](http://www.spfu.gov.ua/ukr/reports_spfu.php)

\*\*as the Law of Ukraine “About amendments to Law of Ukraine“ About the State budget for 2005” of 03.11.2005 No.3050-IV

\*\*\*current data verified

### Information about individual companies

In December (as of 21.12.2005) some contests were announced to sell the packages of shares of “Kharkiv Plant of electric equipment” (99.81%), OSP “Severo-Donets instrument building plant” (55.78%).

In December a few important steps were done in regard of two large companies which were in the centre of attention in 2005.

*Odessa Port Plant.* Because this company was included to the list of top-priority privatization entities for 2005 its restructuring was stopped

(It was planned to take out of the complex the ammonia transport system which is not liable to privatization). But after involment of the former first Vice-Prime-Minister A.Kinakh the procedure of restructuring was restored. But in December President V.Yushchenko sent the assignment to the Ministry of Economy, Ministry of Industrial policy and FSPU to prepare the decree to stop restructuring of OPP again. “Odessa Port Plant should be viewed as a single



complex and this decision must not be revised” – he undelined<sup>26</sup>.

OSP ‘Nikopol Southern Pipe Plant’ (NSPP). On December 1, 2005 Prime-Minister Y.Yehanurov assigned FSPU and Ministry of Economy to prepare documents for its privatization. On December 22, 2005 FSPU has sent to the government a new plan of privatization of the plant: first to sell 5% of shares in the Stock Exchange Market and then to sell 67.91% by means of the open auction. The experts were skeptical about such a scenario because the main assets of the company had been already transferred in restructuring of the plant in 1999 to the statutory funds of closed shareholding partnerships, set up with participation of the foreign investors (among them the companies controlled by V.Pinchuk)<sup>27</sup>.

In December 2005 the new areas of risk appeared in privatization of large companies with foreign investors’ participation. It is geared to the active intrusion of trade unions in the process of privatization. For example, under the pressure of black metallurgy trade unions the contract of OSP “Krivorizhstal” privatization was burdened with social obligations. Only one month after privatization the trade union of the complex declared about the actions of mass protests, if the owners of the new plant will not stick to the sale-purchase contract obligations in regard of salaries improvement.

### **Management of state corporative rights (December)**

#### ***A single registry***<sup>28</sup>

At the sitting of the Public Board of FSPU of December 26, 2005 V. Semenyuk, the director, presented the summary of the work which was focussed at setting up the Single Registry of the state property entities.

The constituent parts of the Registry are as follows:

- Organizations (educational institutions and offices) – 16535 entities;
- Companies of state property status – 3541 entity;
- The business partnerships with state corporate rights – 1359 entities (more than 50% of state corporate rights - 423 entities, less than 50% - 936 entities);
- Real estate property belonging to legal entities with the state property status – 250, 000 entities;
- Rented state property (acting 22061, out of them 261 rental contracts for whole property complexes of the enterprises and separate structural subdivisions).

The structure of the registry includes:

- address and reference part – data of the Single state registry for state companies and organizationws of Ukraine;
- information part about the legal entities: format of reporting No.1 - “Balance”, No.2 - “Report about the financial results”, No.1-B – urgent, No.1-PB – information about the company, its status (monopolist, strategic, privatization, bankruptcy, etc.), the independent structural subdibisions, the size of state property;
- Information part in regard of state property: code, address of business entity, the value of property, the size of the pertaining grounds, the area taken by buildings.

<sup>26</sup> <http://www.proua.com/news/2005/12/13/182015.html>

<sup>27</sup> [http://bin.com.ua/templates/analitic\\_article.shtml?id=50615](http://bin.com.ua/templates/analitic_article.shtml?id=50615)

<sup>28</sup> <http://www.spfu.gov.ua>

Table 3. Information about the number of companies which were privatized\*

years	Plan, UAH mln.	Collected revenues	
		Amount, UAH mln.	Fulfilment of yearly plan, %
2004	5162,21	9501,5	184,05
2005	6911,2 8573,82**		
January		102,5	1,48
February		9,7	0,14
March		26,7	0,39
April		16,9	0,24
May		485,5	7,02
June		44,0	0,64
July		8,5	0,13
August		13,7	0,2
September			
October		29,1	0,4
<b>Total in 10 months of 2005</b>		<b>707,5</b>	<b>10,64</b>
November		20510,0***	
As of December 23 from the beginning of the year		20683,3	241,24*

\*<http://www.spfu.gov.ua/ukr/reports/analit/200511.pdf>

### The portfolio of state corporate rights

As of December 23, 2005 FSPU controls management of 1230 state corporate rights<sup>29</sup>. Lately the trend is being observed to increase the portfolio of state corporate rights. The analysis of the available data of November 13, 2005 shows that its amount increased at 2.9%., mainly at the expense of expanding of the big packages of shares (from 75% to 100%). As a result in the structure of the state portfolio the expert observe the positive tendency – the decrease of presence of small and increase of big packages of shares. Within the observable period the fraction of packages of shares to 25% decreases from 39.9% to 35.2%. It is reported about the sharp increase of fraction of big entities – from 14.2% to 23.7%.

The state corporate rights portfolio has the following structure: 960 open shareholding partnerships set up in the process of privatization and incorporation; 32 entities are the state holding companies and shareholding

entities and national shareholding partnerships; 117 shareholding partnerships set up with FSPU participation; 121 shareholding partnerships which had been registered in the bodies of state executive power.

### *Budget revenues formed by dividends and rent payments*<sup>30</sup>

Budget revenues formed by dividends and rental payments remain to be stable and high. From the beginning of the year, as stated of December 23, 2005, the target benchmarks in dividends were fulfilled at 376,6%, in rental payments - at 170,41%. once again, dropped.

<sup>29</sup>

[http://www.spfu.gov.ua/ukr/news.big.php?id=1389&noanons=noanons&all\\_news=&page=1](http://www.spfu.gov.ua/ukr/news.big.php?id=1389&noanons=noanons&all_news=&page=1)

<sup>30</sup>

[http://www.spfu.gov.ua/ukr/news.big.php?id=1389&noanons=noanons&all\\_news=&page=1](http://www.spfu.gov.ua/ukr/news.big.php?id=1389&noanons=noanons&all_news=&page=1)



Table 4. Change of structure of state corporative rights\*

	As of 15.01.2004		As of 30.12.2004		As of 13.11.2005		As of 23.12.2005	
	units	%	Units	%	units	%	units	%
Total including:	1538	100,0	1327	100,0	1195	100	1230	100
From 0% to 25%	561	36,5	525	39,6	477	39,9	433	35,2
from 25% to 50%	626	40,7	494	37,2	431	36,1	402	32,7
from 50% to 75%	146	9,5	126	9,5	117	9,8	103	8,4
from 75% to 100%	205	13,3	182	13,7	170	14,2	292	23,7

\* [http://www.spfu.gov.ua/ukr/news.big.php?id=823&noanons=noanons&all\\_news=&page=1](http://www.spfu.gov.ua/ukr/news.big.php?id=823&noanons=noanons&all_news=&page=1)

Table 5. Budget revenues formed by dividends and rent payments as of December 23, 2005

	Plan	Fact	% of fulfilment
Dividends	467,277	1759,633	376,6
Rental payments	158000	269250,273	170,41