



Privatization: Monthly Review

Focus

- President all over again vetoed the Law “About the Fund of State Property of Ukraine” (FSPU).
- The confrontation between the Parliament and the President continues in regard of inclusion of strategic state companies into the list of entities which are not liable for privatization.
- The first current summaries of the privatization process and management or state corporate rights for 2005 are under evaluation. The plan for 2006 is being formed.
- With mounting pressure of pre-election struggles once again the issue of revision of privatization results is creeping into the agendas. FSPU rather prefers management of the state companies and is willing to privatize only small enterprises.



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Main Risks

The main risks of privatization are geared to pre-elections struggles. All kinds of political forces in Parliament use the privatization issues as a pretext to demonstrate their standing to the electorate. As a result **the real confrontation between different brunches of power deepens what ill-affects privatization process.**

In the first half of the year the privatization of large strategic companies will, most likely, be “frozen”. The Parliament actively prohibits privatization of those companies which were put forward by the government for sales in 2006. Hence, **it produces risks that, lacking the time in the second half of the current year, privatization of enlisted large entities will not be brought through.**

The absence of adequate legal amendments in the process of revision of privatization results or ways for amnesty of capital **provokes unstable environment for big business.** In the atmosphere of legal indecision the pre-election struggles intensify “anti-oligarch” hostilities, what may **set off the new splashes of re-privatization.** Under the circumstances **the competitive struggle may often acquire the forms of struggle for redistribution of property (court litigations in regard of legality of privatization).**

Benchmarks of revenues from renting of state property and state corporate rights for 2006 remain too severe. High fiscal burdens perpetuate **the risks that the current year follows the last year’s patterns and investment abilities of state companies will be limited.**

Formation of policy and legal framework amendments (January)

In January 2006 the privatization issues continue to occupy a noticeable place in the economic policies of the current authorities. It is related to the completion of formation of the list of privatized companies for the current year. Especially acute attention is drawn to the issue of large strategic companies' privatization, sales of which may become the main source of budget revenues. The tug of war concerning the status of FSPU continues between the Parliament and the President.

FSPU, once again, did not get an amended legal framework guidelines

The Ukrainian Parliament (UP) again approved the Law "About Fund of State Property of Ukraine" and it was again vetoed by the President.

The draft Law was brought in the Parliament by the people's deputies V.Semenyuk and

O.Moroz (Socialist Party). The chronology of Parliamentary work concerning this is as follows:

September 8, 2005 - the Parliament adopted the first draft of this Law;

October 5, 2005 - the President's "veto";

November 9, 2005 - the second draft of the Law was adopted by the Parliament;

November 22, 2005 - President's "veto";

January 11, 2006 - the third draft of the Law was adopted by the Parliament;

January 27, 2006 - President's "veto".

The main objections by the President to the Law "About Fund of State Property of Ukraine" may be referred to in table 1.

supervised by the other bodies of executive power.

Table 1.

1	The Law delegates to FSPU all authority of the owner of state property and enables it with functions of management over the state property what contradicts part 1, article 13 and point 5, article 116 of Ukrainian Constitution, part 2, article 324 and part 2, article 326 of the Civil Code of Ukraine, parts 3, 5, 10 article 22 as well as parts 1-3 article 168 of the Economic Code of Ukraine
2	The Laws stipulates 5 years in office for the Director of FSPU, as well as it provides for the complete list of reasons for its resignation, what limits the constitutional powers of the Parliament. The Ukrainian Constitution does not stipulate the duration of office for the Director of FSPU.
3	The Law introduces the new format for appointment and resignation of the deputy-directors of FSPU, what contradicts point 3 article 116 of Amendments to Ukrainian Constitution which came into force of December 31, 2006.
4	The Law installs the new ways of funding and provision of materials and supplies of equipment to FSPU at the expense of general and special budget funds which infringes the exclusive competence of the Law about the State Budget of Ukraine.

The Ukrainian Parliament ventures to limit privatization

The Parliament managed to overcome the Presidential "veto" over the laws which prohibited privatization of two strategic companies. The Parliament approved the amendments to the Law of Ukraine "About the list of state property entities which are not

liable to privatization" concerning the above issues:

No.8019-7 The state company "Scientific-production complex for building gas turbines "Zoria-Mashproject" – was approved of October 4, 2005, "vetoed" by President of October 29, 2005, but overcome of January 11, 2005 (ban imposed for 2006).

No.8019-4 BAT “Odessa Port Complex” (ammonia production) – was adopted by UP of October 4, 2005, “vetoed” by President of October 29, 2005, overcome by UP of January 11, 2006 (ban imposed for 2006).

After having discussed the President’s proposals the new version of the Laws “About initiation of amendments to the Law of Ukraine “About the list of state property entities which are not liable to privatization” concerning the above mentioned companies:

No.6310-1 OSP “Mayak” (production of magnetic devices for recording) was adopted of October 6, 2005, “vetoed” by President of October 20, 2005, again adopted by UP of January 11, 2006 (ban imposed for 2006). President sent this Bill back to UP for the editing and amendments.

No.8019-3 OSP “Turboatom” (turbines for conventional and nuclear power stations) was adopted by UP of October 4, 2005, “vetoed” by President of October 29 and again adopted by UP of January 11, 2006 (ban imposed for 2006). President signed this Law of January 11, 2006.

The Presidential proposals included such reasons for his rejection to sign the above-mentioned Laws concerning the enlisted companies:

- The violation of authority limits – the choice of companies had been done without Ukrainian Cabinet of Ministers’ involvement, which is determined by the Constitution as the body for governing the state property entities;
- The imposed bans make it impossible to fulfil the assignments of collecting revenues from privatization into the state budget;
- Put more difficult conditions in attracting investors for these companies.

President imposed his second “veto” on Law No. 8019-6 “About introduction of amendments to the Law of Ukraine “About the list of state property entities, which are not liable to privatization” concerning OSP “Ukrnafta” (approved by UP of October 4, 2005, “vetoed” by President of January 5,

2006). The basic reason behind the “veto” is the fact that package of shares of 50%+1 share of the company was transferred to the Statutory Fund of NSC “Naftogas Ukraine” and is in its property. NSC “Naftogas Ukraine” has been already included to the list of companies which are liable to privatization.

Such an attitude of UP makes it difficult for Cabinet of Ministers and FSPU to carry out privatization of large strategic companies in 2006. The absence of legally defined approaches to state property sector will further provoke struggle between UP, President and Cabinet of Ministers in regard of each individual company. Under the current situation the main motivating factors for the taken Parliamentary decisions are lobbying of corporate interests, political goals, and ideological confrontation against the market reforms and especially against privatization.

New legislative initiatives

In January 2006 UP read and adopted such Bills concerning privatization and state property management:

No.8357 “About amendments to the Law of Ukraine “About privatization of the state property” concerning the payments for privatized companies (initiated by the President) It was registered for Parliamentary readings. This bill introduces payments for the privatized entity in free converted currency what was forbidden earlier. These amendments were initiated because of the difficulties which were experienced at payments for the package of shares of OSP “Krivorizhstal”.

No.7658 “About amendments to article 3 in Ukrainian Cabinet of Ministers’ Decree “About the state duty”. It was adopted of January 17, 2006. It is envisaged to lift ban on the size of state duty while registering the sale-purchase agreements of the state property. The Decree fixed the rate at 0.1% of the property value, but not more than 100 taxed minimums of incomes of citizens (UAH1700). The new Bill determines the

amount of duty as registrar's notification of the agreement: collaterals at the rate of 0.01% of property value but not less than 5 and not more than 50 untaxed minimums of the incomes of citizens, rent from real estate entities – 0.01% of the contract sum, but not less than 5 and not more than 50 untaxed minimums of the incomes of the citizens, rent of land plots – 0.01% from the monetary value of the plot of land and, in case of absence of the money evaluation – 1% from the contract sum, but not less than 1 untaxed minimum.

The main trends of policy

Forecasts of privatization policy for 2006 obtained from different experts match each other. The FSPU director V. Semenyuk will implement her doctrine concerning the privatization priorities. FSPU will be mainly dealing with the issues of state property management and sell only small state companies unattractive for investors. In this case the funds from privatization, as V.Semenyuk told, will be obtained from similar to OSP "Krivorizhstal" format of sales – by means of contests with some auction elements.

It is planned to sell at the World Stock Exchange markets 5-10% packages of shares of the companies liable for privatization. "If some private Ukrainian companies sell at London Stock Exchange Market small packages of its shares and preserve simultaneously control", declares the FSPU director – "why shouldn't we try to do the same?" To achieve the goal it is necessary only to amend adequately the current Ukrainian legislature¹. This suggestion was negatively received by the representatives of Ukrainian Stock Exchange Market. From their point of view the idea contradicts to the interests of unsaturated internal Stock Exchange market. Besides, the sales at international Stock Exchange markets will demand huge additional expenses which may be greater than the gains in value of sold stocks².

Taking into account the taken decisions FSPU will deal with sales of military equipment issues in 2006.

The main function will still be the control over fulfilment of contract obligations in after-privatization period.

Prime-Minister Y.Yehanurov obliged FSPU to send the information about 33 companies which are planned to be privatized in 2006³. They were assigned to be sold to meet the state budget requirements. As it was estimated the general value of these companies is about \$300 mln. This is an additional list of companies which complements the previous one of 518 entities approved by the Cabinet of Ministers. The new list does not include the companies, which are planned to be privatized together with pertaining grounds. As Valentina Semenyuk informed, FSPU only started to develop the ways of privatization of state companies together with pertaining plots of land⁴. The Cabinet of Ministers' Decree of January 20, 2006 No.42 adopted the basic trends of government policies in economic and social spheres for 2006. It is expected to ensure transparency of privatization procedures and make non-competitive ways of privatization of state property impossible. The basic steps: February – determination of the list of objects of state property which are liable for privatization in 2006 (to be done by FSPU); June – promotion of adoption of the Law about the State program of privatization (to be done by FSPU), October – insurance of pre-privatization preparation of the companies for mining metallurgy and conventional coals (to be done by FSPU, Ministry of industrial policies, Ministry of Justice, Ministry of Economy, Ministry of Finances, The State tax administration).

In the state sector FSPU will continue to work in making inventories of state property including the entities of joint property of the former USSR. It is mentioned about the

¹ Investnewspaper No.1-2, January 17, 2006. – page 15

² <http://ukrudprom.com/const/print.php?digest/dsalok301205.html>

³ <http://www.glavred.info/archive2006/01/19/121745-7.html>

⁴ <http://ua.for-ua.com/ukraine/2006/01/20/120107.html>

need to carry out the big-scale inventory of Black Sea Navy, trade union and general economy property⁵. The dividend policies and control over collecting rental payments remain still rather rigid).

Privatization results' revision (January)

The process of revision of privatization results still remains without adequate legal framework amendments. Sharpening of pre-election struggle became the incentive for spreading of "anti-oligarch" moods and slogans propagating galvanizing the re-privatization policies.

President, government and FSPU so far restrained spreading of the practice of signing the peaceful settlement agreements with the owners of disputable privatization entities.

The publication of protocols of investigation interviews with the former director of FSPU Mikhail Chechetov published in Internet became the resonant event in January. As of January 17, 2006 the Ministry of domestic affairs confirmed the authenticity of the protocols. He testifies how the sales of strategic companies had been done by the close to ex-President Leonid Kuchma (Victor Pinchuk) and by ex-Prime-Minister Victor Yanukovich (Renat Akhmetov) persons. Using this evidence the General office of Public Prosecutor will start lawsuits in the court for revision of privatization results of CSP "Lukor", CSP "Ukrnafta", OSA "Pavlogradcoal", and as well will add new facts to litigation concerning "Nikopol Ferro Alloy Plant"⁶.

From the expert point of view the former privatization practice gives enough grounds to totally revise the results of the state companies' privatization. To prove that conclusion they give such data about mass-scale transgressions. Minimum 17 privatization contests had only one participant. Speaking de facto there are many more, as quite often the participants of many contests were the affiliated to the winners companies. The additional conditions, overlaying the current privatization legislature,

were registered in 67 contests⁷. The only rational way out of this situation is only the political decision of the ruling authorities on amnesty of privatization results and application of the peaceful settlement agreements with additional payments. It will enable, from one side, to stabilize the situation at the enterprises, from the other side, it will satisfy the needs of the society concerning "justice" in regard of ill-distribution of state property under the old regime.

Thus, in 2006, according to evaluation of some experts, this constitutes one of the major factors of decreasing economic growth of Ukraine⁸.

CSP "Krivorizhstal"

The shareholders of the complex "Krivorizhstal" declared of January 12, 2006 about the change of the company's title – "Mittal Steel Kriviy Rig". The same meeting introduced some changes in the managing board of the complex. The representatives of the state and local bodies were replaced by the representatives of Mittal Steel.

Because of "natural gas" problems the owners of "Krivorizhstal" have to look for the ways to save the natural gas consumption – to use more coke and coal dust. They develop suggestion about the deep technical reconstruction of production.

Of January 15, 2006 FSPU put forward before the owners of OSP "Krivorizhstal" the requirement to fulfill the investment obligations as to application of tariff rates for the workers of the first qualification grade not less than the lowest living standard for the able to work person. If not, FSPU preserves the right to initiate the return of the complex and transfer it the other participant of the contest. Such statement of FSPU was caused by the appeal

7

<http://www.podrobnosti.com.ua/print/analytics/2006/01/17/278246.html>

8

http://www.kontrakty.com.ua/show/ukr/print_article/30/0420066776.html

⁵ Investnewspaper, No.1-2, January 17, 2006. – page 15

⁶ <http://ukrudprom.com/digest/npriv180106.html>

of the central committee of trade union of the workers of metallurgy and mining companies. The interim Director of the executive Board of the complex, Mr.N.Choderi, in his letter sent to FSPU, informed that by the direction of December 12, 2005 the salaries for the workers of the 1st grade are paid within the minimum living standards for the able to work persons as indicated of November 28, 2005, in other words, since the transfer of package of shares' ownership⁹.

OSP "Nikopol Ferro Alloy Plant" (NFP)

Of January 19, 2006, before the sitting of the Supreme Court, about 1000 workers of NFP were picketing the Parliament and demanding to apply the peaceful settlement agreement approach¹⁰. The President, government and FSPU have different opinion – the package of shares of NFP, 50%+1 share, should be returned by the court decision to state property for re-privatization¹¹. By its decision of January 20, 2006 the Administrative Chamber of the Supreme Court of Ukraine rejected the appeal of the consortium "Pridniprovyia" and OSP "NFP" and preserved as valid the decision of Kyiv appellation economy Court of August 26, 2005 about legality of privatization of package of shares belonging to NFP, which was bought by consortium "Pridniprovyia" (companies affiliated with "Interpipe")¹². The Supreme Court is the highest judicial body in Ukraine and its decisions are final and not disputable on the territory of this country. The lawyers of consortium "Pridniprovyia" inform about intentions to appeal to European Court in Human Rights.

The President signed his Decrees No. 47 and 48 of January 21, 2006 by which the first deputy of the High Economic Court Mikola Handurin was sent into resignation for his decision in the court sitting of July 27, 2005 cancelling the decision of Kyiv Appellation Court of July 26, 2005 about illegal privatization of package of

shares, 50%+1 share of NFP by consortium "Pridniprovyia". As reported by mass media of January 24, 2005 the Poltava region Office of Public Prosecutor appealed to the General Office of Public Prosecutor to get permission to arrest and detain the judge of the Lenin district court of Poltava Serhiy Redko. He is accused of substantially biased decision concerning NFP. The judge took a decision by which he prohibited the management of the plant, appointed by consortium "Pridniprovyia" to execute their duties. The observers assigned this event to the attempts by the ruling authorities to diminish risks of new court litigations at re-privatization of NFP¹³.

The new competitors to re-privatize NFP have already emerged: group "Privat", Evraz Group, "Smart-group", Renove"¹⁴.

Other entities

FSPU director Valentian Semenyuk declared about the new investigation of the situation around the insurance company "Oranta"¹⁵. After cancellation of Cabinet of Ministers decision of 2004 about the additional emission Victor Pinchuk sold his package of shares to Kazakh investors. V.Semenyuk informed that court litigation to return the above-mentioned package of shares to state property is carried out at Kyiv Appellation Court¹⁶.

In January 2006 The High Economy Court of Ukraine rejected the FSPU's claim against the decision of Kyiv Economy Court of June 6, 2005 about rejection of registration in the claim to cancel the additional emission of OSP "Northern ore-enriching complex" stocks, which package of shares, 99%, belongs to "SKM"¹⁷.

As Valentina Semenyuk declared, FSPU will continue to defend hard in courts its position concerning the cancellation of sale-purchase agreement of DAHK

9

http://www.spfu.gov.../news_big.php?id=1490&noanon s=noanons&all_news=&page

¹⁰ <http://zadonbass.org/allnews/message.html?id=28340>

¹¹ <http://www.grani.kiev.ua/exp.php?ni=7184>

¹² Commersant, No.2, 17.01.2006. – page 7

¹³ Commersant, No.8, January 25, 2006 г. – page 1

¹⁴ Commersant, No.6, January 23, 2006. – page 9

¹⁵ Commersant, No.3, 17.01.2006. – page 7

¹⁶ Commersant, No.3, 17.01.2006. – page 7

¹⁷ Commersant, No.8, January 25, 2006 г. – page 7

“Chernomorsk Ship-building Plant” caused by non-fulfillment of contract obligations¹⁸.

Redistribution of property

The legal indecision concerning the revision of privatization results provokes the grounds for corporate wars for redistribution of property. The competitors actively involve the state bodies in their conflicts and heavily provoke the revision of privatization results. Numerous facts testify to this fact.

Prosyany Ore-enriching Complex, the biggest kaolin deposits in Europe, located in Dnipropetrovsk region¹⁹, became the subject of the war which has been waged since 2002. As mass media report, one of the shareholders, who initiated the whole process, is supported by the group “Privat”. Here one may easily observe all the symptoms of cruel competitive war: availability of two disputable registers, numerous and lengthy litigation, arrest of the ex-director of Managing Board, etc. FSPU earlier initiated litigation about return of the package of stocks, 32.49% back to state property. But lawsuit was rejected in the Appellation Economic Court in Kyiv. The spokesman on behalf of FSPU once again declared about the intention to claim legality of the sale of this package of stocks.

OSP “Kherson Ship-building Plant”²⁰ is involved in litigation with the company “Leninska Kuznya”, which is the main creditor of the plant. The lawsuit has been sent to Appellation Court intending to break off the sale-purchase agreement of 83.61% of stocks belonging to a plant. Earlier the Economic Court in Kyiv has already turned off the similar lawsuit. In 2002 “Leninska Kuznya” paid the plants’ debts of UAH40 mln. and suggested to FSPU to set up a joint venture using the plant property (the state would contribute the property complex of the plant, ‘Leninska Kuznya’ – debts). FSPU rejected the proposal and sold the plant’s package of stocks in tender contest at UAH52.172 mln. with a starting price of UAH46.345 mln.

Privatization

The process of privatization in 2005

FSPU has published official information about privatization results in 2005. During this period 890 state business entities have been privatized. In comparison with 2004 it is 28% less. According to groups the entities may be split in the following way: A – 61.7% (in 2004 – 62.6%), C, D – 1.2% (3/1%), E – 26.3% (21.4%), F – 2.1% (3.0%), G – 8.7% (9.9%).

“Ukrtelecom” is being prepared to privatization. As of January 11, 2006 Prime Minister Yuri Yehanurov delegated to FSPU and Ministry of transportation and telecommunications to prepare in a week all the documents and develop a plan of actions. FSPU set up a working group, which began to study the state of domestic and international markets of telecommunications²¹.

Ministry estimates that licence for mobile telecommunications of the third generation UMTS issues for “Ukrtelecom” increased the value of the company not less than \$400-500 mln²².

Georgy Jackson, the Head of Board of directors of “Ukrtelecom” declared that “today the struggle is clearly observed between the current government and those trying to be in power after elections. This struggle is about the date of privatization”. The delays with privatization may be caused by the situation which developed after moratorium of July 2005 on the Law “About peculiarities of OSP “Telecom” privatization”. Parliament declared that privatization of “Ukrtelecom” may take place only after adoption of new State Program of Privatization²³.

¹⁸ <http://www.umoloda.kiev.ua/number/595/116/21556/>

¹⁹ Business Capital-City, No.1-2, 16.01.2006. – page 20

²⁰ <http://ukrudprom.com/digest/dropo110106.html>

²¹ <http://www.proua.com/news/2006/01/18/082725.html>

²² Business Capital-city, «1-2, 16.01.2006. – page 24

²³ Business, №1-2, 16.01.2006. page 75

Table 2. Information about entities which changed the state property status*

	Всього	Including per groups				
		A	C, D	E	F	G
2004	1236	774	38	264	37	123
2005 – total	890	549	11	234	19	77
January	43	24	4	12	2	1
February	7	5	0	2	0	0
March	117	71	1	34	1	10
April	85	64	0	13	3	5
May	89	47	1	32	2	7
June	77	52	0	19	1	5
July	94	56	0	21	3	14
August	79	56	1	17	2	3
September	113	65	0	37	2	9
October	47	29	1	11	1	5
November	60	31	0	22	0	7
December	79	49	3	14	2	11

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

But even now the size of package of stocks suggested for sale not yet determined. At present the state owns 92.85% of “Ukrtelecom” stocks. The rest of 7.14% of shares were sold to the working force. In compliance with the Law “About peculiarities of OSP “Ukrtelecom” it was planned to sell 42.86% of stocks. Alongside with this the investor would get the right to manage additionally 25% of shares more out of 50%+1 share which were left in state property²⁴.

Besides, the government explores the chances to privatize company HK “Luganskteplovoz”. As Prime Minister declared all the documents should be ready by January 15²⁵.

Budget revenues

During 2005 the budget funds collected UAH20,686 bln (with a starting plan of UAH6.9 bln., revised plan - UAH8.574 bln) what exceeded the revised plan in 2.4 times, and actual revenues of 2004 in 2.18 times. The actual revenues in 2004 were UAH9.501 bln against plan of UAH5.2 bln. The surplus over the target figures was achieved by October sale of “Krivorizhstal” package of stocks for UAH24,2 bln.

Budget-2006 has the privatization revenues’ plan at UAH2.1 bln. In comparison to 2005 the plan is lower as the rest of the entities, which are proposed for privatization, are less in value than OSP “Krivorizhstal”. As estimated the list of 518 entities suggested by FSPU for privatization in the current year will not increase the planned volume of privatization revenues. So the fulfilment of plan will depend on the ability of government and FSPU to include some large strategic companies in the process of privatization.

Governing of state corporate rights (January)

Portfolio of state corporate rights²⁶

As of January 27, 2006, FSPU governed 1199 corporate rights (about 90% of all corporate rights belonging to the state). The total value of statutory assets of business partnerships may be distributed in the following way: FSPU – 54%, other state bodies – 46%. This testifies to the fact that FSPU controls management of relatively smaller companies.

²⁴ Newspaper “Business” No.57, of 17.01.2006. – page.?

²⁵ Invesgazeta, No.1-2, January 17, 2006. – page 15

²⁶

http://www.spfu.gov.ua/ukr/news_big.php?id=1389&noanons=noanons&all_news=&page=1

Table 3. Revenues to general fund of State Budget from privatization of state property^s

Years	Plan, mln. UAH.	Collected to Budget	
		Sum, mln. UAH.	Fulfillment of yearly plan, %
2004	5162,21	9501,5	184,05
2005	6911,2 8573,82*	20,686	241,27
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
Total for 10 months of 2005		707,5	10,64
November		20510,0**	

^s http://www.spfu.gov.ua/ukr/reports_spfu.php

* Nominal value of statutory fund

** Approved by individual decrees of Cabinet of Ministers of Ukraine No.481-p of November 30, 2005

*** Value was not declared

Speaking about the state of affairs as of January 27, 2006 in comparison to data of December 23, 2005 it should be mentioned about insignificant expansion of state corporate rights portfolio, governed by FSPU. Within this period it grew at 1.0%, generally it happened at the expense of big packages of stocks (from 75% to 100% of statutory fund). As a result the structure of the portfolio changed positively – the number of small packages reduces and the number of larger packages increased. During this period the share of packages up to 25% reduced from 39.9% to 34.9%. The share of large entities increased from 14.2% to 24.4%.

The state portfolio of corporate rights has the following composition: 929 open share holding partnerships set up in the process of privatization and incorporation; 32 state holding companies, shareholding partnerships and national shareholding partnerships; 117 shareholding partnerships set up with FSPU's participation, 121 shareholding partnerships which are registered in the other bodies of executive power (Table 4).

*Revenues to State budget from dividends and rental payments*²⁷

According to information from the State Treasury of Ukraine the percentage of revenues from business partnerships profits that are subtracted to the budget as well as dividends from stocks of business partnerships, which belong to state, transferred to the State Budget funds, in fact by January 1, 2006, reached UAH1795.105 mln. (plan – UAH0.533 bln.). It is more than it was planned in 3.73 times.

The State Treasury of Ukraine informed that of 26 December, 2005 the rental payments to the budget reached UAH271.09 mln (plan UAH158 mln.). The yearly plan was exceeded in 1.72 times.

²⁷

http://www.spfu.gov.ua/ukr/news.big_php?id=1389&noanons=noanons&all_news=&page=1

Table 4. Change of structure of state corporate rights*

	By 15.01.2004		By 30.12.2004		By 13.11.2005		By 23.12.2005		By 27.01.2006	
	units	%	units	%	units	%	units	%	units	%
Total including:	1538	100	1327	100	1230	100	1195	100	1199	100
from 0% to 25%	561	36,5	525	39,6	433	35,2	477	39,9	418	34,9
from 25% to 50%	626	40,7	494	37,2	402	32,7	431	36,1	390	32,5
from 50% to 75%	146	9,5	126	9,5	103	8,4	117	9,8	99	8,3
from 75% to 100%	205	13,3	182	13,7	292	23,7	170	14,2	292	24,4

* http://www.spfu.gov.ua/ukr/news_big.php?id=823&noanons=noanons&all_news=&page=1

Budget-2006 plans to collect revenues from business partnerships profits and dividends obtained from securities and stocks belonging to state to the profit part of the Budget at UAH3560.0978 what exceeds the actual revenues collected in 2005 in 1.98 times (http://www.spfu.gov.ua/ukr/news_big.php?id=1482&noanons=noanons&all_news=&page=).

In the current year the fiscal pressure over the state enterprises will grow even more what will reduce their investment chances. The last revision of activities of the state corporate section during 9 months of 2005 had shown that level of its efficiency drops. The general net profit of business partnerships by October

1, 2005 was UAH52651.6 what is 3% less than in the corresponding period of 2004, financial results from current business activities – UAH3810.3 mln., what is 8% less than in the corresponding period of 2004. The average results as per branches of industries were achieved by companies of metallurgy and among the regions – city Kyiv and Dnipropetrovsk region. It is positive that debts to the State Budget in 2005 are less, in insurance business – in 17 times and debts of wages are less in 2 times.

Table 5. Revenues to State Budget from dividends and rental payments as of December 26, 2005

	2005			2006 (plan)
	Plan	Actual	% of plan fulfilment	
Dividends	533,2331	1795,105	336,64	3560,0978
Rental payments	158,0	271,09	171,58	