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PRIVATIZATION RESULTS OF STATE UNITARY ENTERPRISES
IN THE REGION

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Abstract

Monitoring and analysis of priority directions of state policy in the field of privatization is carried out in the article; and some privatization results of state unitary enterprises of the Chechen Republic for 2013–2020 are summed up. The essence of privatization is to change the ownership form and the subject of ownership of property, state property transfer to the ownership of citizens and legal entities, that is, to private ownership. According to the authors, a layer of new owners is being formed, and the state is disengaged from the costs of maintaining and managing ineffective industries. The transfer of rights must be registered. Privatization is not considered to have taken place until the completion of state registration. Russian President signed a law restricting the activities of state and municipal unitary enterprises and providing for their liquidation in competitive commodity markets by 2025. The exceptions are enterprises created by acts of the president or government, as well as to support the activities of the Ministry of Defense, FSS, FPS, the Ministry of Emergency Situations, the Russian Guard, the Ministry of Internal Affairs, FIA, and other federal departments. The authors conclude that the formation of an effective economy of the Chechen Republic is probable only in the presence of dynamically developing, competing for the consumer, and economic entities of various forms of ownership. In this regard, the task of denationalizing hundreds of unprofitable or ineffective state unitary enterprises, official enterprises, and state institutions is extremely urgent in the republic.

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1. Introduction

According to the Ministry of Property and Land Relations of the Chechen Republic (hereinafter referred to as the MPLR ChR), the register of state property of the Chechen Republic included information about 796 legal entities with a state form of ownership and with a state share in the authorized (pooled) capital, to which state property is assigned on property rights with a total book value of 57.7 billion rubles at the end of December 2012. The property value of state unitary enterprises was 23.5 billion rubles. Analysis of the economic performance indicators of 279 state unitary enterprises that provided MPLR ChR with annual reports for 2012 showed that they had completed the year with the following results: with a profit – 68 enterprises (or 24.4 %); with losses – 163 enterprises (or 58.4 %); with zero results – 14 enterprises (or 5 %); lack of economic activity – 34 enterprises (or 12.2 %). Only a quarter of all USEs in the republic were profitable. The issue of increasing the efficiency of the state property use in the Chechen Republic was especially acute. Another problematic issue was the unresolved task of creating a significant number of new jobs in industry. This could not be achieved within the framework of two federal programs “Recovery of the economy and social sphere of the Chechen Republic (for 2002 and subsequent years)” and “Social and economic development of the Chechen Republic for 2008–2012.” The total number of personnel of 279 state unitary enterprises as of January 1, 2013 was 9.053 people (Ministry of the Chechen Republic, 2012).

Table 1. For 7 years, hundreds of state unitary enterprises of the republic remitted 84.8 million rubles of profit to the budget

Year	Number of USE and official enterprises (at the end of the year)	Part of USE profit remitted to the budget of the Chechen Republic, rubles
2012	387	2 039.0
2013	436	19 723.8
2014	327	7774.9
2015	327	16842.2
2016	319	11298.1
2017	308	23 478.3
2018*	274	3 654.6
Total received in ChR budget		84 810.9

Source: MPLR ChR reports for 2012–2018//www.mizochr.ru. Statistical data.

*Reported by MPLR ChR as of September 1, 2018.

2. Problem Statement

In March 2013, the parliament of the republic adopted the law of the Chechen Republic No. 3-RZ “On the privatization of state property of the Chechen Republic”. First attempts to initiate the law adoption on privatization were made by the deputies and economists of the republic back in 2005 but were unsuccessful because the law was blocked by the legal department of the presidential administration and the government of the Chechen Republic. The administration presented various arguments about the untimeliness of the broad process of property privatization including one that the privatization law will untie the hands of the economically active part of the population (Idigova et al., 2017).

The most significant targets are outlined in the predicted plans for the state property privatization of the Chechen Republic: optimization of the composition and structure of state property; privatization of

state property not involved in ensuring the state functions of the Chechen Republic; carrying out structural transformations in the economy relevant sectors; reduction in the number of unprofitable state unitary enterprises. It is planned that “the maximum budgetary efficiency of the privatization of each object will be achieved by making decisions on the method of privatization and the initial price of the property to be privatized based on an analysis of the current economic situation, an independent property assessment, a complete inventory and audit of a state unitary enterprise”.

According to federal law N 178-FZ “On the privatization of state and municipal property”, privatization of state and municipal property is understood as the property alienation for value owned by the Russian Federation, constituent entities of the Russian Federation, and municipalities into the ownership of individuals and (or) legal entities (Idigova et al., 2016).

MPLR ChR initiated the issuance of the Government order of the Chechen Republic of 04.05.2016 No. 115-r “On the conditions for the privatization of state property of the Chechen Republic”, the administrative regulations of all procedures for the property privatization were adopted (Government of the Chechen Republic, 2017).

The privatization process in the republic is underway, albeit at a slow pace. The process of liquidating state organizations was launched at the same time. As of December 31, 2013, 65 legal entities were liquidated, 48 USE and 17 state institutions are jurisdictional: 42 enterprises – to the Ministry of Agriculture of ChR; 6 enterprises – to the ChR Government; 8 enterprises – Ministry of Economic Development of ChR; 2 enterprises – Ministry of Industry and Energy of ChR; 3 enterprises – MHU ChR; 1 enterprise – Ministry of Press of ChR; 1 enterprise – Ministry of Culture of ChR; 1 enterprise – Ministry of Education and Science of ChR; 1 enterprise – Ministry of Transport of ChR. The phenomenon of “subordinate enterprise” of the executive authority is a deep relic of the Soviet era. It is more ancient if we consider these enterprises as an opportunity to “feed from the state” for officials. The departmental approach was reasonably recognized as ineffective even in the conditions of the planned administrative economy of the USSR. The only plus was the administrative support of the enterprise in the “knocking out funds from Moscow” (Government of the Chechen Republic, 2017). The administrative methods of the Soviet era are still not obsolete from the activity practice of all ranks officials.

3. Research Questions

The research subject is international, foreign, and national legal regulation of the privatization of state and municipal property.

4. Purpose of the Study

The purpose of the paper is to comprehensively study the legal regulation issues of the privatization of state and municipal property based on an analysis of the domestic legislation norms, the practice of their application, and scientific theories in this area.

5. Research Methods

Methods of structural and functional analysis, including statistical and traditional methods of economic analysis, namely, groupings, comparisons, and generalizations are applied to achieve the goal and substantiate the hypothesis.

6. Findings

At the end of 2014, the receipts of 90 real estate objects amounted to 79.3 million rubles from the privatization to the Chechen Republic budget, including receipts from the privatization of 6 real estate objects in 2013 – 11.5 million rubles (On the conditions for the privatization of..., 2017). In 2015, the receipts from the privatization of 119 real estate objects amounted to 196.5 million rubles to the budget of the Chechen Republic. At the end of 2015, the register of state property of the Chechen Republic included information on 514 institutions and 327 enterprises, and 11 institutions and 66 enterprises, respectively, were in the process of liquidation, reorganization and bankruptcy.

The growth of revenues from the state property management is observed along with the growth of republic budget revenues from the privatization.

A significant profit in comparison with previous years in 2015, namely 107.2 million rubles was attracted, including: in the form of dividends of joint-stock companies with a share of the Chechen Republic in the authorized capital – 2.4 million rubles; in the form of profit of state unitary enterprises – 16.8 million rubles; from the lease of land plots belonging to the Chechen Republic – 37.0 million rubles; from the lease of state property – 17.3 million rubles; from the sale of state vehicles and other equipment – 12.7 million rubles; from the sale of state-owned land plots of the Chechen Republic – 20.9 million rubles.

At the end of 2016, the receipts from the privatization of real estate objects amounted to 91.6 million rubles to the budget of the Chechen Republic. 43 objects of state property of the Chechen Republic were privatized. As of December 30, 2016, the register of state property of the Chechen Republic contained information about 499 state institutions, including state bodies, and 275 state unitary and official enterprises. 25 enterprises and 8 institutions were in the process of liquidation, 2 enterprises were in the process of reorganization and 4 enterprises were in bankruptcy proceedings.

In 2017, the receipts from the privatization of real estate objects amounted to 81.2 million rubles to the budget of the Chechen Republic. In February 2017, the “Forecast plan (program) for the privatization of state property of the Chechen Republic for 2017” was adopted; it included 203 real estate objects. In accordance with Federal Law No. 135-FZ of 29.07.1998 “On Appraisal Activities in the Russian Federation”, MPLR ChR sent 201 real estate objects for appraisal. The materials on 198 real estate objects were sent to STSI “Property Fund of the Chechen Republic” for organizing trades. As a result, 82 real estate objects were privatized during the year, including 3 real estate objects were privatized by preferred right. As of September 1, 2018, the receipts from privatization in the amount of 72.0 million rubles were received by the republic budget.

41 state unitary enterprises were included in the “Forecast plan (program) for the state property privatization of the Chechen Republic for 2017.” At the end of the year, 3 USEs completed preparatory

work and were reorganized. USE “Pramavtomatika” was reorganized in accordance with the order of the Government of the Chechen Republic dated 30.05.2017 No. 162-r into LLC “Promavtomatika” with an authorized capital of 65.8 million rubles. USE “Orgtehnika” in accordance with the order of the Government of the Chechen Republic dated 01.11.2017 No. 293-r was reorganized into LLC “NefteMashService” with an authorized capital of 222.4 million rubles. USE “Spetsavtomatika” in accordance with the order of the Government of the Chechen Republic of 25.12.2017 No. 347-r was reorganized into LLC “Artpolimer” with an authorized capital of 95.0 million rubles.

241 real estate objects, including 65 USE were included in the Forecast plan (program) of privatization for 2018. The largest enterprises are: USE “GHN Chechen Construction Department named after E. Ismailov”, USE “Zhilkomstroy”, USE “Grozny PRCS”, USE “Argun PRCS”, USE “Sugar Factory.” In accordance with the federal law on appraisal activity 135-FZ, 206 real estate objects have been sent for assessment and have already been appraised, 35 objects are at the appraisal stage. According to the government of the republic, the receipts from the privatization of state property to the republican budget are expected in the amount of 25.8 billion rubles, including: 10.1 billion rubles in 2018, 11.6 billion rubles in 2019, 21.5 billion rubles in 2020 (Salgiryev et al., 2019). In 2018, the government put up 100 % of JSC “Chehencement” stocks for sale, the value of which is 1.239 billion rubles, and 100 % of LLC “Promavtomatika” shares; the cost of shares is 65.8 million rubles.

7. Conclusion

Thus, only four large state unitary enterprises USE “Chehencement”, USE “Promavtomatika”, USE “Orgtehnika”, USE “Spetsavtomatika” underwent organizational and legal reorganization for the period of 2013–2017. Nevertheless, the change of ownership still did not happen. The Chechen Republic owns 100 % of the property of LLC “Promavtomatika”, LLC “NefteMashService”, LLC “Artpolimer”, and LLC “Chehencement.” As far as we know, the essence of privatization is to change the form of ownership and the subject of property ownership, transfer of state property to the ownership of citizens and legal entities, that is, to private ownership. Therefore, a layer of new owners is formed, and the state is disengaged from the costs of maintaining and managing ineffective industries. The transfer of rights must be registered. The privatization is not considered to have taken place until the completion of state registration.

The modest result of the denationalization of state unitary enterprises in 2013–2020 can be explained by the fact that, on the one hand, the waves of the permanent economic crisis of 2008–2012 led to the ruin of a significant part of the entrepreneurs of the Chechen Republic. An essential part left its borders and found an application to their creative work in other regions of Russia, countries of near and far abroad. On the other hand, Russian and foreign investors still do not consider the Chechen Republic as the investment attractive region of Russia.

In this regard, the task of increasing the republic investment attractiveness should be forcefully resolved. Primarily, this can be achieved by the reduction of administrative risks, the development of the banking system, and the creation of an independent judicial system (including an arbitration court).

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