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**Working Party on the
Accession of the Kyrgyz Republic**

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ACCESSION OF THE KYRGYZ REPUBLIC

Information on the Process and Methods of Privatization in the Kyrgyz Republic

The following information on the process and methods of privatization in the Kyrgyz Republic, has been received from the Government of the Kyrgyz Republic, with the request that it be circulated to members of the Working Party.

The information concerning all the investments in the economy is not available for the SPF (State Property Fund) and is under control of the Agency on Foreign Investments.

One of the main directions of the significant economic reforms in the Kyrgyz Republic is considered to be the creation of the open market economy. As the result of successful implementation of privatization of State-owned enterprises, active promotion of foreign direct investment, development of small- and medium-sized businesses and the role of the private sector in GNP, the country has changed significantly. The aim of the Government's activities is to form a real basis that will provide stable development of a social-oriented market economy.

At the very beginning, the Government of the Kyrgyz Republic identified priorities, stages, forms and methods for privatization. For example, during the first stage of the privatization, the period from 1992 to 1993, it was planned to privatize the entities of retail trade and food industry. At the current moment, the level of privatization in these sectors is 96.4 per cent. The main aim of the privatization policy of the second period (1994-1995) was to reorganize medium-size companies operating in industry, transport and construction sectors of the economy. This reorganization included reorientation of the production for new markets and the need of forming new business relationships with suppliers of raw materials. For these purposes, the State Property Fund of the Kyrgyz Republic used the methods of competitive selling of State-owned shares of the companies. To make it more efficient the above-mentioned selling was based on preparation of business plans and competitive bidding. At the current moment, the level of privatized companies is as follows: industry - 79.2 per cent; construction - 56.3 per cent; transport - 47.1 per cent; and the total level of privatization is 60.7 per cent.

Nevertheless, the process of privatization of State property in the Kyrgyz Republic has not achieved adequate competitive conditions to increase the efficiency of the local economy. For the purpose of resolving such kind of strategic problem the Government of the Kyrgyz Republic decided to demonopolize the largest companies in sectors of the economy such as telecommunications, printing, aviation, energy and recreation through privatization. The main idea of this demonopolization is segmentation of the strategically important national companies and attracting foreign direct investors who will bring to these new segmented companies the definite forms of international management, marketing, new technologies and financial expertise.

This type of privatization has become the main reason for changing the strategy of privatization. The main principals of the new policy are identified as follows:

- decreasing the speed of the privatization because of the complexity of the companies;
- using case-by-case method of privatization;
- attracting strategically important foreign and local investors. Case-by-case privatization includes financial diagnosis of companies and corporatization of companies into State-owned joint-stock companies and/or introduction of corporate governance. After implementing all of the necessary procedures the government shares of these companies may be sold through:
 - commercial tender (level of price plays the key role),
 - investment tender (future investment conditions are the main criteria),
 - open auction.

In August of 1996 the State Property Fund formed a list of companies that will be privatized using case-by-case privatization methods and are deemed to be attractive for foreign investors. To effectively coordinate all of the steps in the process of case-by-case privatization, the State Property Fund created the Case-by-case Privatization Department. The first tender for these companies is planned to be conducted in October 1997. In order to make the process of privatization of these more efficient, the State Property Fund is going to attract international consulting companies that will provide all necessary assistance in informing the world about investment opportunities in the Kyrgyz Republic.

The total amount of privatized enterprises, for the period from January 1991 until May 1997, the privatization process in the Kyrgyz Republic envisaged 6,304 enterprises (the quantity of enterprises before the beginning of the privatization - 9,989 enterprises).

Sector	Number of State-owned enterprises before privatization (1/1/97)	Number of privatized enterprises (30/05/97)
Industry	602	491
Services	1,253	470
Domestic services	1,919	1,919
Trade and food industry	1,949	1,895
Agriculture	855	353
Construction	730	416
Transport	295	152
Others	2,386	608

A List of Companies for Case-by-Case Privatization

	Company	Industry	Charter capital (th. Soms)	State share (%)
1	Trade House Ay-Churek	Retail Trade	219.7	28.17
2	Kara-Kol Dan-Azyk (Wheat storage and bread combine)	Food industries	6,845.0	71.21
3	Chuy Dan-Azyk (Wheat storage and bread combine)	Food industries	14,440.0	50.00
4	Joint-stock insurance company "Kyrgyzstan"	Finance	2,221.3	70.75
5	Tunguch-Kant (Sugar and soft drink factory)	Food industries	16,549.4	70.8
6	VLKSM Bishkek Garment Factory	Light	6,366.7	80.00
7	Bugu-Ene (Sewing factory)	Light	3,776.0	70.24
8	Ak-Bula (Wool scouring plant)	Light	6,928.0	51.00
9	Kasjet (Wool yarn factory)	Light	2,500.0	60.00
10	OREMI (Heavy electrical machinery plant)	Consumer and industrial engineering	327.9	46.00
11	KEMZ Corporation (Electrical machinery plant)	Consumer and industrial engineering	875.4	34.3
12	TNC Dastan (Electric engineering defence factory)	Consumer and industrial engineering	1,459.0	58.00
13	Jetigen (Electrical plugs, machine blades, consumer goods)	Consumer and industrial engineering	441.8	38.05
14	Osh PATC-1 (Passenger auto transport company)	Transport	8,714.5	45.81
15	Kyrgyzkabel (Electrical cables)	Consumer and industrial engineering	679.6	35.00
16	Aynut (Electronic connectors and transformers)	Consumer and industrial engineering	187.7	49.00
17	KyrgyzTash (Decorative stone processing plant)	Construction materials	1,864.0	70.14
18	Tokmok AP KSM (Ceramic brick factory)	Construction materials	8,732.2	36.99
19	Mata (Textile plant)	Light	17,180.0	71.07
20	Jibek-Jolu (Mineral water, kid's nutrition)	Food industries		100.00
21	Semetey (Fur factory)	Food industries	26,989.9	70.20
22	Dan-Azyk (Wheat storage and bread combine)	Light	2,326.2	71.23
23	Kara-Suu Dan-Azyk (Wheat storage and bread combine)	Food industries	12,346.6	41.95
24	Ak-Suu (Corn processing sugar/fructose combine)	Food industries	73,340.5	71.03
25	Kyrgyz Starch Treacle Plant	Food industries	5,665.0	70.43

	Company	Industry	Charter capital (th. Soms)	State share (%)
26	Kyrgyz National Energy Company	Utilities	7,470,107.7	94.50
27	Akyl (Printing)	Printing	31,084.6	80.00
28	Kyrgyz Mining Combine	Mining	203,817.5	87.00
29	Kadamjay Antimony Combine	Mining	301,749.0	84.00
30	NarynHydroEnergoStroy (Hydro-station construction)	Construction	418.6	42.02
31	Kyrgyz Too-Tash (Marble processing plant)	Construction materials	7,283.7	70.23
32	Anar (Transformers, connectors and ceramic insulator)	Consumer and industrial engineering	423.58	31.39
33	Kan Industrial Combine	Others	2,712.4	71.23
34	Dostuk (Electronic connectors, plastic consumer goods)	Consumer and industrial engineering		
35	Kyrgyz Chemical-Metallurgical Plant (Silicon and rare earth metals)	Metallurgic		
36	Kant Cement and Tile Combine	Construction materials		
37	Kurmenty Cement Plant	Construction materials		
38	Kant Cement Plant	Construction materials		
39	Linoleum Factory	Construction materials		
40	National Airlines Company "Kyrgyzstan Aba-Joldoru"	Transport		
41	Ainek (Sheet glass plant)	Construction materials		
42	Setun (Machine tools and consumer goods plant)	Consumer and industrial engineering		
43	Kyrgyzstroyfarfor (Porcelain products)	Construction materials		
44	Bishkek Auto-Repair Plant	Services		
45	Bishkek Machine-Building Plant	Manufacturing		
46	Janar (Electrical engineering factory)	Consumer and industrial engineering		
47	Bishkek Leather-Commodities Plant	Light		
48	Bishkek Chemical Plant (Paints)	Others		
49	Kyzyl-Kya Sut-Azyk (Milk products)	Food industries		
50	Uzgen-Sut (Milk products)	Food industries		

	Company	Industry	Charter capital (th. Soms)	State share (%)
51	Kyrgyzgasmunayzat (Gasoline and natural gas)	Trade		
52	Kyrgyztelecom (Communications)	Communications		
53	Kyrgyzneft (Oil extraction and refinery)	Oil processing		
54	Plant "Kyrgyz Hydro Steel Construction"	Construction materials		
55	Shop "Min-Turkun" (Hardware trading company)	trade		
	Hotels			
56	Issyk-Kul Hotel	Tourism		
57	Bishkek Hotel	Tourism		
58	Osh Hotel	Tourism		

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