SPECIFICITIES OF MANAGING THE STATE SHARES IN CORPORATIONS OF UZBEKISTAN

A. Valijonov
Tashkent State University of Economics,
O’zbekiston ko‘chasi 49, Tashkent 100138 Uzbekistan
valijanov_akmal@mail.ru

Abstract. This paper examines the issues of managing the state shares (block of shares) in corporations of Uzbekistan. There studied the specificities of establishment of the corporations, including the ones with state sharing in the privatization process of state enterprises. There also specified the essence of state shares management, revealed the role, duties and rights of state representatives, government attorneys and proxy managers of state shares in the corporations, researched the criteria for valuation of efficiency of managing the state shares, presented the suggestions and recommendations on improvement of the current system of state shares management in the corporations.

Keywords: management, state share, block of shares, corporations, joint-stock company, privatization, state representative, government attorney, proxy manager.

One of the common forms of organizing business activity in Uzbekistan is corporations i.e. joint-stock companies and limited liability companies.

During the period of the former Soviet Union, the state ownership was dominating in the country’s economy, and the state-owned enterprises were the main form of company. With the attainment of national independence and the beginning of market reforms, establishment of corporations, particularly of joint-stock companies, started on government’s initiative together with the processes of privatization of state-owned enterprises.

In the initial stages of privatization, many state-owned medium-sized and even small enterprises were transformed into joint stock companies. However, the practice has shown that the shareholding form of business organization is the most suitable for the large-scale production. Therefore, later on as the privatization processes developed, medium-sized and small enterprises were transformed into limited liability companies and private enterprises. The joint-stock companies were established mainly on the basis of large state-owned enterprises and companies.

In the 90s in most joint-stock companies, especially in large ones, there retained a certain sharing of the government in their authorized capital. As the privatization processes developed, the reforms on restriction of state intervention in the economy and on expansion of private sector implemented, a number of corporations with the state sharing has gradually decreased. Thus, a number of joint stock companies with state shares decreased 9.8 times from 2000 to 2013.

When the enterprises are incorporated, the transformation of a property happens. The government, like any other shareholders, does not own the property in its natural-material and cash forms but shares. The government in this case should have the same rights as other shareholders (Butikov, 2002, p. 63).

World practice of economic development shows that the government always takes specific part in business activity of corporations. The state participation in the capital of corporations is typical even for the countries with developed market economy. In this case, determination of an optimal level and formation of an effective system of state participation in the share capital has always remained a key issue for economic researches.

State sharing in the capital of corporations and the management of its shares must be organized in a such way that, on the one hand, to ensure the independence for corporate governance bodies and to restrict the state intervention in the daily operations of corporations, on the other hand, the government should have opportunity to influence the business activity to achieve its goal of sharing in the capital of corporation.

The government carries out management of its shares through its representatives in the corporations. As the state representatives there may serve the government attorney, proxy manager and management company.
engaged in the activities for management of state shares and representing the interests of the government in governing bodies of corporations on the basis of trust management agreements, as well as the individuals representing the interests of the government at a general meeting of shareholders (participants) on the basis of power of attorney issued by the authorized government body.

State shares in corporations can be transferred for trust management to the:
– individuals – government attorneys;
– legal entities – proxy managers of investment assets having the appropriate license issued by the competent authority, as well as in the cases provided by law – to the bodies of state and business administration.

State attorneys are appointed in economic societies, the state's share in excess of 25 percent, and the time the share of the state in the management of a trustee investment assets. The State Attorney is authorized government representative in the economic society, acting within the rights granted by the size of the state share.

The government attorneys are appointed in the corporations in which the state share exceeds 25 percent until the time of transferring the state share to the proxy managers of investment assets. The government attorney serves as the authorized state representative in the business company, and functions within the rights granted by the size of the state share.

The government attorneys are appointed for a term not exceeding one year, with the possibility of prolongation. Candidates for government attorneys are selected from among individuals, including employees of the bodies of state power and administration who have a sufficient level of economic knowledge, practice of managerial work and are not, in the time of the appointment and performance of these functions, employees of companies, corporations, associations to the structure of which the joint-stock company is incorporated, as well as legal entities from among proxy managers of investment assets.

The right of trust management of state assets is transferred on trust management agreement which is concluded for the term of one year with possibility of prolongation.

Proxy manager (if legal entity – his/her representative) of state assets, including the government attorney serves as a member of the Supervisory Board of the business company (if creation of the Supervisory Board is provided for by legislation or by articles of association), and is exempt from election (re-election) by the the General Meeting of Shareholders of the business company.

Proxy manager has rights to:
– execute, with respect to received for trust management the state assets, all legal and practical actions, in accordance with the legislation of the Republic of Uzbekistan and the terms of the concluded trust management agreement, except for the alienating and using it as a collateral;
– use all his/her credentials as a member of the Supervisory Board and member of the company in accordance with the terms of the agreement concluded and the amount of state assets transferred to him/her for trust management;
– be remunerated in accordance with the terms of the agreement and the legislation, except the bodies of state and business administration carrying out the trust management of state assets.

Proxy manager has no right to interfere in the daily operations undertaken by the executive body of the business company.

The main tasks of the proxy managers are:
– protection of the interests of the government as a shareholder, preservation and rational use of property in the business company;
– assisting in the implementation of economic reforms in the enterprise, improving its financial and economic performance, improving the system of management and marketing as well as post-privatization support;
– monitoring the implementation of measures on renovation of production and upgrade of products produced by the enterprise, on attraction of investment for reconstruction and technical re-equipment of production on the basis of modern technological equipment and technologies in order to provide the production of competitive products;
– providing targeted use of dividends from the state share for reconstruction and technical re-equipment of the business company;
– other tasks determined by law.
The most important condition for organization of management of state shares in corporations is monitoring and control of an activity of proxy managers. The legislation establishes the following criteria for evaluation of the performance of proxy managers:
– changing of key financial and economic indicators of the enterprise for the period of functioning proxy manager that characterize the profitability of its activity;
– ensuring full and timely payment, to the state budget, of dividends from the state share in the authorized capital of a business company;
– targeted use (or misuse) of the dividends from the state share while allocating them for technical re-equipping of enterprise under decision of the General Meeting of Shareholders and specifying the appropriate information in the reports;
– personal participation in the meetings of the Supervisory Boards, General Meetings of Shareholders and the suggestions to be accepted (to be said) by the proxy managers and their implementation;
– timely submission and quality of completion of reports, completeness of the information to be shown in the documents attached to the reports.

For the purpose to ensure effective management of state assets, in accordance with the Resolution of Cabinet of Ministers of the Republic of Uzbekistan No.322 as of November 14, 2012 there was established the Center for Management of State Assets under the State Committee of the Republic of Uzbekistan on Privatization, Demonopolization and Competition Development.

The main tasks of the Centre are defined as follows:
– monitoring the performance of the proxy managers of investment assets and government attorneys for the effective management of state property;
– realization of the rights of shareholder (participant) on state block of shares of the joint stock companies and other corporations, including by means of transferring for trust management to the government attorneys, management companies and business associations;
– development and implementation of a complex of measures on improvement of performance of the joint-stock and other corporations with state shares in the authorized capital, foremost at the cost of modernization and technical re-equipment of production, reduction of production costs, increase in labor productivity, introduction of modern quality management systems;
– assisting in providing timely and full payment, to the state budget, of dividends by the joint-stock and other corporations on the state assets transferred to the Centre for ownership and use.

As of July 1, 2014 there were monitored the activities of 995 corporations with the state share in the authorized capital, including of 535 corporations transferred to the Centre for Management of State Assets (Biznes Daily, No.85, 2014, p. 18).

Thus, at present the organizational and legal bases for management of state shares in the corporations are formed in general.

However, for further development of the system of state shares management it is reasonable to:
– improve the methodology for assessing the efficiency of state shares management;
– identify the specific goals and objectives of state participation in the corporations where the state share is retained; privatize the state shares in the corporations in which the government is a minority shareholder;
– improve the mechanisms of interaction of government authorities on the issues of preparation of development programs, business plans of large joint-stock companies established with the state participation;
– create the mechanisms which encourage the introduction, by the corporations with the state participation, of effective system of corporate governance in line with the international standards;
– develop the long-term concept of managing the state property, including of managing the state shares and of state dividend policy.

References


