

Ukraine is ready to put up for sale factories and agricultural land

13 września 2019

The new leadership of Ukraine decided to reconsider its relationship with the IMF.

The administration of Petro Poroshenko promised to fulfill all the criteria, received the first tranche of financing, did not fulfill the promises and the financial assistance program responded. The team of Volodymyr Zelensky apparently decided to break this tradition. The head of the Ministry of Finance of Ukraine Oksana Markarova said that this time Kiev hopes receive a three to four-year funding program. The President's office expressed confidence that the main criteria of the IMF will be met, and the next financing program will be the first fully implemented.

And indeed, Kiev began to implement the basic requirements. The Supreme Anti-Corruption Court has already begun to function in Ukraine. The President issued instructions on preparing at least 500 state-owned enterprises for privatization and approving a bill to abolish the moratorium on the sale of agricultural land. The Prime Minister of Ukraine Alexey Goncharuk confirmed the beginning of the implementation of the instructions of the head of state.

I would like to dwell in more detail on the issues of privatization and sale of agricultural land.

On the issue of privatization, there is a problem of the extremely low profitability of enterprises that can be put up for auction. So, the director of the Institute for Economic Development of Ukraine, Alexander Goncharov, calculated that as of January 2019, there were 3,364 state enterprises in the

country. Of these, less than half operated – 1,594. At the same time, more than 93% of the total cost falls on the hundred largest. That is, about 100 enterprises have a market value, the rest can be sold for nothing.

In addition, most commercially attractive enterprises are burdened with a lot of litigation (this is due to the conflicts of the oligarchs). In this regard, the preparation procedure for the privatization of these facilities cannot be started.

So it turns out that the only ones who definitely won't lose in this situation will remain investment advisers. Indeed, for preparing enterprises for bidding, they will receive their multimillion-dollar fees, regardless of their results.

The situation with the land is also difficult. To sell land at European prices, it is necessary to significantly increase capital productivity (according to some economists, two to three times). For example, in Poland this problem is solved by billions of dollars in subsidies from the European Union, as well as inexpensive loans. This allows farmers to grow crops with high added value. The main orientation of Ukraine is grain and seeds, which can provide income at the level of \$ 150 per hectare.

In addition, the main share of agricultural land was leased to agricultural holdings for a long time. Upon termination of these agreements, the state will have to pay farmers many millions in compensation.

Thus, after the removal of the moratorium for the sale of agricultural land, not 40 million hectares promised by President Zelensky will be on sale, but most likely about three-four million. But there are also those who wish to find this share quickly. Surely, the offer will interest Polish farmers with experience in the EU market. Poland will have a chance to acquire Ukrainian lands at low prices. And then,

using low-cost local labor to grow low-cost products to sell in European markets.

As for Ukraine, from the visible positive prospects from this situation we can single out only a chance to increase the attractiveness of its investment climate for foreign investors. And for the country's budget this will result in replenishment of the debt balance by several billion dollars and the loss of workable industrial facilities.

Authorship: Vitaliy Timoschuk

Source: WolneMedia.net