



Χορηγός



«Αποκρατικοποίηση Ημικρατικών Οργανισμών:
Εξελίξεις και προκλήσεις στον Τομέα Διεύθυνσης
Ανθρώπινου Δυναμικού»

Κωνσταντίνος Ηροδότου
Έφορος Αποκρατικοποιήσεων

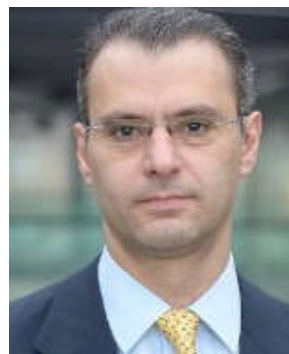
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αξίας μέχρι και 10 ευρώ,
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σε άπορα παιδιά
ηλικίας 3- 5 χρονών του νηπιαγωγείου «ΜΑΝΑ»
που στηρίζεται από εθελοντές.





Κωνσταντίνος Ηροδότου
Έφορος Αποκρατικοποιήσεων



CyHRMA Business Breakfast -16 December 2014

Cyprus Privatisations Programme

Privatisation of Semi-Governmental Organisations:
Developments and Challenges in the Human Resources Sector

Constantinos Herodotou
Commissioner of Privatisations




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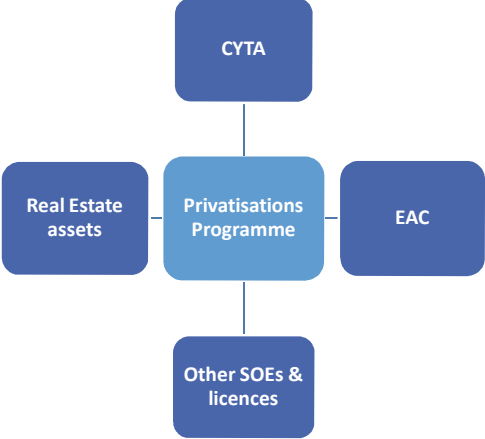


Overview of the Privatisations Programme framework

- The Privatisations Law (2014) sets the legal and institutional framework for privatisations.
- The above law established the Privatisations Unit (“PU”), which:
 - Operates under the Commissioner of Privatisations, who reports to the Interministerial Committee for Privatisations.
 - Implements the decisions of the Council of Ministers and the Interministerial Committee.
- The major entities falling under the responsibilities of the PU are:
 - Cyprus Telecommunications Authority (CYTA).
 - Electricity Authority of Cyprus (EAC).
- The privatisation of certain assets/ licenses has been assigned to the competent ministries.
- The total revenue target of the Privatisation Programme is €1,4bln.



Overview of the Privatisations Programme




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graph TD
    CYTA --- PP[Privatisations Programme]
    REA[Real Estate assets] --- PP
    EAC --- PP
    OSO[Other SOEs & licences] --- PP
        
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- **CYTA**
 - A four-play telecoms provider with operations in Cyprus and overseas.
- **EAC**
 - A fully integrated electricity provider having almost a monopoly in the electricity market.
- **Commercial activities of ports***
 - Specifically the port of Limassol.
- **Real estates assets.**
- **Licensing of Casino.***
- **National Lottery.**
- **Cyprus Stock Exchange.**
- **Cyprus State Fairs Authority.**
- **Cyprus Petroleum Storage Company.**

**Projects managed by the competent Ministries.*

PRIVATISATIONS UNIT
7



State's key objectives*

- 1 Successful implementation in terms of proceeds and timing.
- 2 Reduce the annual State budget deficit and public debt.
- 3 Attract foreign investments and create beneficial externalities such as new employment, technologies etc.
- 4 Enhance long term growth of the economy and the creation of new job positions.
- 5 Strengthen competition.
- 6 Improve efficiency, productivity and utilisation.
- 7 Improve product offering: cost and quality of services for the consumer.
- 8 Maximise value for the State.
- 9 Protect public interests.

**On the basis of the Ministerial Council's Decision dated 13 December 2013*

PRIVATISATIONS UNIT
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Privatisation steps

- ✓ Consultation and exchange of information in the Joint Advisory Committee.
- ✓ Decision by the Council of Ministers regarding the privatisation process to be employed.
- ✓ Safeguarding of national security.
- ✓ Settlement of the liabilities of the entity to be privatised.
- ✓ Legislation changes for the regulation of a series of matters regarding the entity to be privatised (establishment, operation, local or international obligations, employee rights).
- ✓ Establishment of legislation to regulate monopolies that may be created.
- ✓ Approval of regulations governing the privatisation transaction by the Parliament.



Ministerial Council's Decision on CYTA and EAC

CYTA:

- The operations of CYTA (fixed telephony, mobile telephony, broadband services) not to be broken-up.
- Key steps:
 - Conversion to a limited liability company under private law.
 - Decision on a percentage of the share capital to be offered to employees.
 - Search for a strategic investor who will transfer the necessary expertise and contribute to the modernisation and upgrading of the organization's activities.

EAC:

- Preparation of a specialized independent study.
- Unbundling of operations to precede privatisation, allowing separate valuations of activities/ entities.
- Key steps:
 - Legal unbundling under separate legal entities.
 - Conversion into company/ies under private law.
 - Decision on a percentage of the share capital to be offered to employees.
 - Search for strategic investor(s) for one or more activities/ entities on the basis of the results of the unbundling of EAC's activities and the specialised studies on the energy market.



CYTA - Status update

- Four different tender procedures for the appointment of each advisor specialisation, based on EU procurement rules:
 - Financial, Legal, Accounting, Technical/ Commercial.
- The advisors will work with CYTA, the PU and the Government to manage, execute and coordinate the corporatisation of CYTA and its subsequent privatisation.
- The PU employs a two-stage tender procedure:
 - First round: Prequalification of the most competent candidates.
 - Second round: Assessment of technical and financial offers.
- There is top tier advisor interest.
- The appointments of all four advisors are expected to be completed within December.
- The deadline for the privatisation of CYTA is Q4-2015.



EAC - Status update

- Preparation of the tender documents for the appointment of an independent advisor, to prepare a study:
 - Legal unbundling of EAC, i.e., establishment of different legal entities.
 - Corporatisation of EAC, i.e., establishment of entity/ies under private law.
 - Privatisation of EAC, i.e., sale of equity stake(s) of entity/ies to be established under private law.
- The study, which will inform final decisions, will:
 - Demonstrate the optimal privatisation method and suggest the new structure of EAC.
 - Suggest the consequent alteration of the regulatory framework in order to ensure the effectiveness of regulatory control.
 - Identify privatisation options for the Government.
 - In line with the MoU provisions, perform an international benchmarking, including cost structures, of EAC with relevant/ comparable electricity companies.
- The deadline for the privatisation of EAC is mid-2018.



Attracting the right investors for our objectives

- The design and implementation of a solid and transparent process is of paramount importance regarding the achievement of the objectives of every privatisation.
- The appointment of the right advisors is an integral part of such a process.

Investor requirements		PU process implemented	
1	Certainty of process	→	<ul style="list-style-type: none"> • MoU timetable. • Globally reputable advisors.
2	Certainty of terms of deal	→	<ul style="list-style-type: none"> • Realistic Government objectives from the start. • Market guidance from advisors.
3	Clear process	→	<ul style="list-style-type: none"> • Process letter. • Pre-defined process stages.
4	Tailored process	→	<ul style="list-style-type: none"> • Match type of investors. • Incorporate risk - return appetite.
5	Managed risks and Due Diligence	→	<ul style="list-style-type: none"> • Privatisations Law. • VDD.



Implementation

Financial environment risks are being mitigated ✓

- ✓ Continuous improvement of sovereign credit rating:
 - Upgraded from Caa3 (Mar 13) to B3 (Nov 14).
- ✓ Recapitalisation of local banks successful the ECB Comprehensive Assessment results.
- ✓ Privatisations Law (2014) approved by Parliament and in place.
- ✓ Existing, tried and tested regulatory frameworks.
- ✓ Dependable legal framework based on the English legal system and the Common Law principle.
- ✓ Successful precedent privatisations, primarily under the BOT method:
 - Larnaca and Paphos airports (new terminals operated in 2008-PFO and 2009 –LCA).
 - Limassol marina (operations commenced in 2014).

Privatisation Law provisions regarding employees



- ✓ Consultation and exchange of information in the Joint Advisory Committee:
 - Consists of the Interministerial Committee for Privatisations and representatives of employees.
 - Provides for consultation, exchange of information and the safeguarding of the employment status and rights of employees.

- ✓ Settlement (ρύθμιση) of the obligations of the entity to be privatised:
 - Includes all obligations to be derived from claims and rights of employees.

- ✓ Legislative changes (amendment, abolition):
 - Covers the legislation governing the rights of employees.

Challenges regarding the HR sector



- ✓ The business/ investment profile and strategy of the strategic investor(s).
- ✓ Shareholding participation of employees.
- ✓ Shareholding form.
- ✓ Legal unbundling and activities to be corporatised/ privatised – EAC only.
- ✓ Regulatory framework going forward.
- ✓ Corporate business plan (3 to 5 years forward).
- ✓ Defined KPIs and how these translate into departmental performance targets.
- ✓ Introduction of a new corporate governance.
- ✓ Implementation of the Privatisations Law provisions relating to employees.
- ✓ Management of all HR issues associated with change/ uncertainty.

Questions



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Καλά Χριστούγεννα!

