

## Who and why was Vinnitsya “Khimprom” destroyed?

### Journalistic investigation

*More than three years ago, one of the giants of the chemical industry in our country was destroyed. Kyiv and local officials sighed with relief because the source of ecological danger located not far from the center of Vinnitsya went down in history. However, both then and now everybody understands really well that the enterprise was liquidated not for the reason of it being an ecological danger. The reasons for “Khimprom’s” ruin were much more global and there are rumors that at some time the enterprise became an exchange coin in the relationship of Ukraine with its powerful neighbor: while local activists used the situation and finalized the ‘order from the top’.*



## **Everybody chipped in and destroyed “Khimprom”**

For the last two years, the agricultural sector of not only Vinnitsya region, but Ukraine as a whole has taken off. “The financial crisis showed an absolutely new algorithm for economic development – it is different from previous years when we used to have serious problems in the agricultural sector,” said **Valeriy Koroviy, first deputy head of the Vinnitsya Sanitary-Epidemiological Station**. “Right now the situation changed drastically because the only market that did not fall was the produce market. I mean the global produce market. It preserved its previous positions; whether somebody would agree or not, in the last few years, we changed the entire structure of the agricultural sector in our region. We observed a concentration of production, there was competition for land plots, and it led to higher efficiency in agriculture.”

From the point of view of meeting the planned budget, Vinnitsya region is now one of the top three in Ukraine.

Nowadays, no regional officials talk of how the enterprise that was producing food supplements for bird feed, detergents and mineral fertilizers was liquidated. In the 90s, agriculture was sinking in debt, was unprofitable and therefore it was easier to purchase fertilizers abroad. This is the official story. Even after few years passed, the company’s officials do not want to name the real reasons for the gradual destruction of the state production company “Khimprom”, which had been prohibited from being privatized until the time of its liquidation... According to **Mykola Ovcharuk, director of the company in 1999-2001**, failure started even before his appointment as director. In 1991 to 1999, Mykola Akimovich worked as a deputy director in marketing and was not completely excluded from the processes of the company. “According to the decision of the Ministry of Industrial Policy and with the support of the local authorities, the production of laundry detergents was excluded from the work activities of the company and privatized,” said M. Ovcharuk. “The production of mineral fertilizers was very old and not profitable. Moreover, they are in demand only in spring and in the fall, while other production lines were also connected to the production of superphosphate. There were attempts to work with commercial companies. The company was holding on for a while thanks to the work of tolling schemes.

In the mid-90s, the enterprise “Khimprom” cooperated with many private structures. The closest relations to the company were three. The first – CJSC Corporation “Energotransinvest” (connected to Cherkasy “Azot” that produced nitrogen fertilizer - author). One of its co-owners member of parliament Evgeniy Sukhin even financially helped Vinnitsya to build a trolleybus line. After extensive cooperation, this company was willing to rent the production facilities of “Khimprom”, and purchased phosphates in Africa as well as gas and electricity. But for some reason the ministry denied the investor.

The second largest partner was the joint venture “Sodas”, which belonged to **Serhiy Shchetinin, a local entrepreneur**. With loan financing, he provided raw materials to “Khimprom” and also was selling its products until that scheme stopped working. Then Serhiy Mykhailovich tried hard and received the right from the ministry to be the head of

“Khimprom”. “I had long-term programs that would allow for the launch of production at the enterprise, but they did not let me work,” explains S. Shchetinin.

The third partner that in the end played a decisive role in the liquidation of the company was the American Corporation “Transatlantic Trading Group” Inc. This is the “dark horse” that provided “Khimprom” with gas, and later in order to repay its debts initiated endless court processes. Neither M. Ovcharuk, nor S. Shchetinin, nor the chief engineer of the company V. Leheza, who was the acting director for half a year, can name the people that were behind this overseas company. It is very strange that the aforementioned people, as directors, could not find information about their creditor. “Transatlantic Trading Group” remains the “Flying Dutchman” until now. The last mention of this company in the media and in court documents date back to 2005 and are connected exclusively with “Khimprom”. Later, information about this corporation has not been mentioned anywhere, not even in English-speaking resources.

After the company broke into three pieces in 2001, it was “returned” into one whole and other formal changes, production stopped completely. But there were multi-millions in debt and responsibilities before employees, the budget, the pension fund of Ukraine, other funds and a whole range of private creditors. At the same time, the company still preserved its status of being prohibited from privatization. At the demand of creditors, the Economic Court of Vinnitsya Region, on May 15, 2002, opened a criminal case of bankruptcy on state enterprise “Khimprom.”

### **How the “Flying Dutchman” postponed reorganization for two years**

Economic lawsuits in our country last for a long time, but in the situation of Vinnitsya “Khimprom”, we can talk not only of record timelines, but also about deadly results. After the court ratified the registration of the creditors’ requests, for a total sum of UAH 22.6 mln, including 3.3 mln in debt on salaries, it was decided that bankruptcy should be substituted by reorganization. Every state enterprise in a very severe financial situation is eligible for reorganization. This means that the system of measures for the financial rehabilitation of the company meant to prevent its bankruptcy are implemented. However, in the given case, the definitions did not mean anything. The formal decision was made by the court on November 14, 2002. **The executor of the reorganization was named Lviv businessman Ihor Pohreboe.**

It was the Corporation “Transatlantic Trading Group”, a fourth-rate creditor of the enterprise, whose debt was only 3.2% of the total debt, which submitted dozens of appeals against all court decisions. According to information from the independent committee created in November 2005 to study the process of the reorganization, the actions of the aforementioned corporation led to more than a two year postponement in this procedure and additional expenses of over UAH 4 mln.

Back in January 2003, CJSC Corporation “Energotransinvest” offered its own reorganization plan: it was finalized by the Ministry of Industrial Policy and sent to the Economic Court of Vinnitsya Region. But since the decision on “Khimprom’s” case was

already with the appeal court of Zhytomyr Economic Appeal Court, the plan was never approved. After a year of waiting, the officials of “Energotransinvest” decided that it was unreasonable to put money into the Vinnitsya enterprise and refused to participate in the reorganization.

After the positive decision by the appeal institution in February 2004, the committee of creditors started searching for a new plan to reorganize the company. By then, everybody understood that “Khimprom” lost its sales markets, its investor, its employees, and its equipment was falling apart every day. Therefore, the study-analytical center of inter-crisis management offered an alternative. The investor was offered to organize the processing of the ecologically dangerous remnants of production and to pay the salary debts in exchange for the company’s assets. “Transatlantic” again appealed the decision to search for a company willing to deal with “Khimprom” with the Zhytomyr Appeal Court, which made its decision only in November 2004. As a whole, it did not change the decision of the Vinnitsya domestic court, but that was not the goal either – the main reason was to kill time and lead “Khimprom” to a state in which it could not be saved anymore.

In the report of the aforementioned independent committee, it is clearly stated that I. Pohrebnoe had the necessary authority, but did not prevent the company from the fatal actions of “Transatlantic” Corporation and it also led to the creation of a dangerous ecological situation in Vinnitsya. This is not an exaggeration since by that time, the territory of “Khimprom” held hundreds of thousands of tons of dangerous substances, including sulfuric acids without any oversight.

Upon the request of regional authorities, investor JSC “Vinbudindustriya” had to perform some environmental measures before implementing the reorganization plan. However, the independent committee had doubts about whether this action was done. According to **Dmitriy Gerus, head of the Vinnitsya Regional Ecological Inspection** at the time, there were no documents proving the removal of hundreds of tons of substances, even though they tried to persuade the committee that they did it.

In the beginning of 2005, Senator I. Pohrebnoe and a representative of the investor announced that further ecological measures, according to the reorganization plan, were not possible and in July the committee of creditors made the decision to liquidate state enterprise “Khimprom”. On August 9, this decision was approved by the independent committee of the Ministry of Industrial Policy.

This led to a very questionable procedure of selling off the assets of the company. The process was closed. Until now, it was impossible to get information on to whom and for how much the buildings were sold, as well as the equipment and other movable and unmovable possessions of this very much wanted object.

It is also a big secret who owns the objects on the territory of former “Khimprom” now. “Real” got no answers to any of its multiple official requests about the owners of the assets of the company. Unofficial sources state that the property was officially sold, but

for very small, arranged prices. For example, the three-story administrative building, in which the “Vivat” shopping center is located, was sold to its first owner for UAH 17 ths. According to the information of this article’s authors, the company that first bought this real estate belonged to the former governor of the region. The next owner of the building bought it for hundreds of thousands of dollars. The six-storied administration building, where now “Ukraina” University is located, according to unofficial information was sold for UAH 1.5 mln, even though at that time in 2006, local realtors evaluated similar objects an entire grade higher. Looks like big charity.

In 2007, we found out that the sellers sold many more objects than there were in reality. But then this matter was hushed up... The only matters that were never resolved were ecological activities, the performance of which, according to the reorganization, was supposed to have been done by the investor. By the way, right after the sale of all of the property, he disappeared and nobody is searching for him. Hundreds of tons of phosphorus waste were left without an owner since the sewage system of the former “Khimprom”, which stopped existing in 2006, does not have an owner.

### **Dry cargo and fuel instead of its own fertilizers**

The former director of “Khimprom” and manager Mykola Ovcharuk is sure that the procedure of reorganization was stretched out on purpose, but Ihor Pohrebnoe had nothing to do with it. “He is a very smart professional. He was the one that was dealing with the sale of property,” says the ex-director. “Bankruptcy could have been avoided if not for the actions of the top people in the country. As President, Leonid Kuchma forgave all of the debts of the agricultural businessmen, and they had a huge debt to us; we were in debt to the budget and to the employees, and to the suppliers. But nobody forgave our debts. So we sold the fertilizer, but did not receive money for it. At the time when “Energotransinvest” was ready to cover all of our debts, and rent out our production line, the ministry refused the offer... to be honest, I do not regret now that production was stopped. Everyday it threw 80 tons of chemical dust out into the air. It was a long-term bomb in the city’s downtown.

However, former chief engineer of the company, Vyacheslav Leheza, suspects M. Ovcharuk to be the number #1 guilty party in the company’s failure. He, and then later, Shchetinin participated in the biggest deals that brought about the failure of the enterprise, says Vyacheslav Mykhailovich. Even though the real culprits were in Kyiv, and I mean at the level of the country’s officials.

Serhiy Shchetinin also names Ovcharuk and Sukhin as the main people responsible for the death of “Khimprom.” According to S. Shchetinin, the initial selection of the organizer was done completely non-transparently. “In the ministry, they completely ignored my variant and named Ihor Pohrebnoe as their reorganization executive, but he is a person that was very distant from the enterprise,” says Serhiy Mykhailovich. “At the same time, all of the reorganization of the company was led by so-called internal reorganizer Mykola Ovcharuk, who was the one that led “Khimprom” to such a horrible situation. It was illegal. The law does not presume the existence of such internal company

reorganizers. But in reality it existed... S. Shchetinin also proves that Kuchma and Kravchuk were not interested in the company's existence. "They were under pressure from big Russian businessmen," says Serhiy Mykhailovich. "'Khimprom' has always processed kola apatite and after the breakup of the Soviet Union and the worsening in the relationship with Russia, the owners of the minerals in Murmansk region wanted to buy the Vinnitsya enterprise. However, their more influential competitors, also from Russia, did not let them do so because they had other plans. They purchased a couple similar enterprises in Belarus and Russia. Nowadays they are the ones that trade most of the fertilizers, including in Ukraine. The matter that "Khimprom" should be 'killed' was decided on the level of Kuchma, and before him at the level of Kravchuk. Our presidents gave the mineral fertilizer market to the Russians in return to preferences connected to shipping cargo and fuel. I cannot forgive some Vinnitsya officials for their permissiveness in this matter either. The enterprise was producing not only fertilizers. I was asking the mayor at that time, Oleksandr Dombrovskiy to take some of the company's objects on the city balance such as the heating power plant, high-voltage power station and production of coagulant for the water system. He refused..."

The decisive word in the fate of "Khimprom" was not in the hands of the local authorities. They were only executives in the situation, practically all real estate was sold at lowered prices and later resold again, so many made a lot of money. It is also proven by the fact that up until now the real and final owners of the objects on the territory of "Khimprom" have been hiding. They are hiding not only from the media. Ecological inspector Dmitriy Gerus confessed that he has been trying to find out who the waste belongs to and who is responsible for it for many years, but without result. **Mykola Redchits, Ph.D., doctor of communal hygiene of the city's sanitary-epidemiological station**, says that they regularly put waste of unknown origin with increased amount of dangerous substances into the small river Tyazhylovka that runs through the territory of "Khimprom". Neither the city's sanitary-epidemiological station, nor the ecological inspection commission that deal with this matter for over half a year can detect the source of this pollution.

**Ihor ZAYKOVATYI**  
**Marina KARABAY**

*P.S. The investigation was supported by the project SCOOP*