

State Property Asset Management

No4

January 2025

State budget revenues from the disposal of state property



695,7 million UAH
(~\$16.64 million)

of revenues filled state coffers from the sale and management of state assets in January 2025



60,5 million UAH
(~\$1.45 million)

from privatization (SPFU)



635,2 million UAH
(~\$15.19 million)

from the management of seized assets (ARMA)

Key Figures from Prozorro.Sale – January 2025¹



Total revenue from successful auctions:

906 million UAH
(~\$21.66 million)



Number of successful auctions:

1 539



Average lot value:

590 million UAH
(~\$15.19 million)

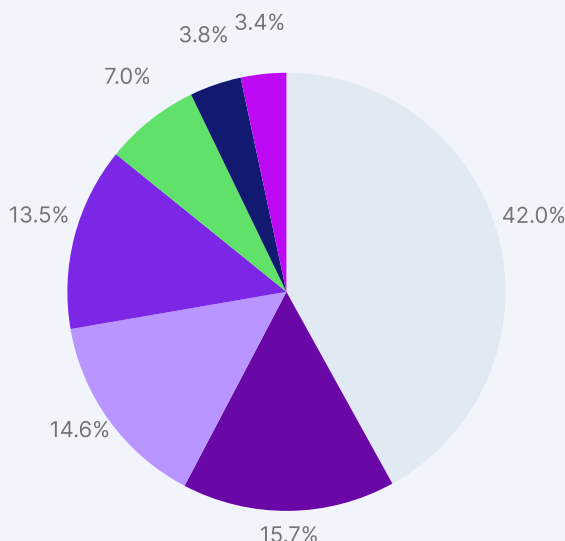


Average number of bids per auction:

2,3

¹ These figures are sourced from general BI data from Prozorro.Sale for January 2025 (successfully completed auctions) as of February 28, 2025.

Revenue Distribution by Category:



142,41 mln UAH

Land auctions
(~\$3.40 million)

379,97 mln UAH

Bankruptcy sales
(~\$9.08 million)

122,49 mln UAH

Small-scale privatization
(~\$2.93 million)

63,58 mln UAH

Sale of assets and property
(~\$1.52 million)

132,10 mln UAH

Special permits for subsoil use
(~\$3.16 million)

34,51 mln UAH

Sale of bankrupted banks' assets (DGF)
(~\$0.82 million)

30,38 mln UAH

Other categories
(~\$0.73 million)

Summary of Prozorro.Sale Online Auctions – January 2025 ²

In January 2025, the Prozorro.Sale platform successfully completed 1,539 auctions, generating over UAH 906 million (~\$21.66 million) in total revenue. Market competition remained stable, leading to a ~8%³ price increase from the starting bid.

1 Bankruptcy & Distressed Assets (46% of revenue)

The most profitable segment was the sale of bankrupt companies' assets and non-performing loans. Across 131 auctions, this category generated UAH 415.5 million (~\$9.93 million), with an average auction value of UAH 3.17 million (~\$75,900). Despite a relatively low number of auctions, this segment delivered the highest revenue due to the high value of assets. Moderate competition (2.42 bidders per auction) was observed.

² The analysis below is based on an in-depth examination of BI Prozorro.Sale data. To enhance clarity, the categorization used here differs from the standard BI Prozorro.Sale classification. Specifically, the categories "Bankruptcy" and "Sale of assets from insolvent banks (DGF)" have been merged into a single group: "Bankruptcy & Distressed Assets." Additionally, assets previously classified under "Land Auctions" have been reallocated, with land sales categorized under "Land Sales," while land leases have been incorporated into the existing "Lease of State & Municipal Property" category.

³ The median value, rather than the arithmetic mean, has been used in the analysis. The median provides a more accurate reflection of typical price changes, as the arithmetic mean can be skewed by outliers with exceptionally high or low values. This is particularly relevant in auction markets, where some lots may show extreme deviations from general pricing trends.

Most lots were sold using a Dutch auction process (gradual price reduction).⁴ This approach is effective for quickly offloading distressed assets, reducing debt risk and returning valuable assets to the economy.

2 Subsoil Extraction Licenses (14.5%)

Despite only 7 auctions, the sale of special permits for subsoil use generated UAH 132 million (~\$3.16 million), with an average license value of UAH 18 million (~\$431,000).

This high revenue was driven by premium starting prices and the long-term profitability of natural resource extraction. Competition in this segment was lower than average (~2 bidders per auction) due to:

- High capital investment requirements for extraction projects.
- Uncertainty in evaluating actual resource potential, making bidding riskier.

3 Privatization of State-Owned Assets (13.5%)

A total of 44 successful privatization auctions were held, generating UAH 122.5 million (~\$2.93 million). The average asset price was UAH 2.78 million (~\$66,500), with one of the highest competition rates (3–4 bidders per auction). Due to strong competition, starting prices doubled in many cases. Privatization is not just a revenue source — it's a key economic efficiency tool. Transferring state assets to private ownership attracts investment, boosts productivity, and creates jobs.

4 Land Sales (8%)

In January, 63 land plots were sold for a total of UAH 72.6 million (~\$1.74 million), with an average lot price of UAH 1.15 million (~\$27,500). Competition in this segment remained relatively high (2–3 bidders per auction), resulting in price increases of 10–15% above the starting bid.

5 Lease of State & Municipal Property (5%)

The largest segment by auction volume – state and municipal property leasing – covered 850+ auctions, generating UAH 40 million (~\$0.96 million).

⁴ The median value, rather than the arithmetic mean, has been used in the analysis. The median provides a more accurate reflection of typical price changes, as the arithmetic mean can be skewed by outliers with exceptionally high or low values. This is particularly relevant in auction markets, where some lots may show extreme deviations from general pricing trends.



Average lease auction prices:

- Agricultural land: UAH 47,000 (~\$1,120)
- Non-residential premises: UAH 12,900 (~\$310)



Why are non-residential lease prices so low?

- Many properties require significant renovation.
- A lot of them are located in low-profit areas.

6 Other Categories (13%)

In this group, we can specifically highlight confiscated assets under ARMA management: 7 auctions, generating UAH 15.5 million (~\$370,700). Most sales involved seized material assets, using the Dutch auction process. ARMA's strategy prioritized rapid sales to avoid depreciation and high maintenance costs.

Conclusions

January's auctions demonstrated stable competition and the effectiveness of the auction model in setting fair market prices.

Most profitable segments in January:

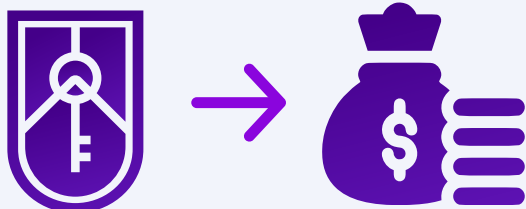
- Distressed asset sales
- Privatization
- Subsoil extraction licenses

Confiscated asset sales focus on rapid liquidation to prevent devaluation and reduce holding costs.

Smaller-asset segments (leases, specialized sales) account for a high number of auctions but deliver lower financial returns. Many of these assets are in poor condition, reducing their market appeal. Speeding up and improving the sales process is essential to prevent these assets from further deterioration, as long-term maintenance costs will increase the financial burden on the state.

State Property Management

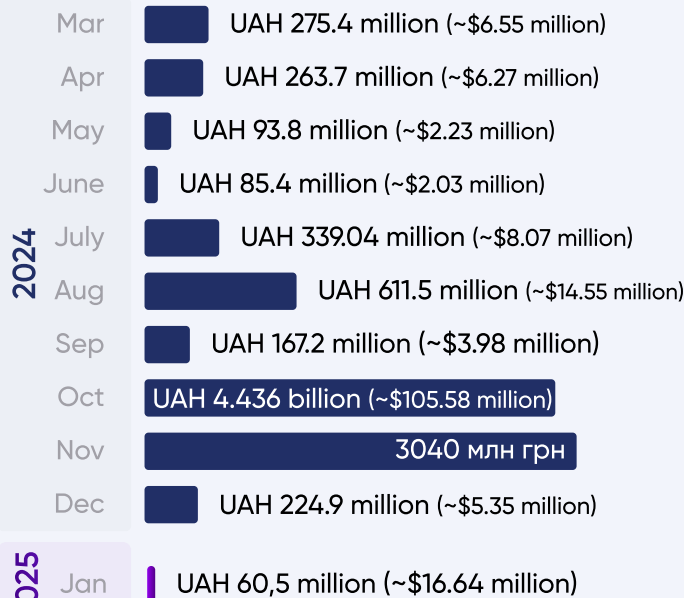
Performance of the State Property Fund of Ukraine (SPFU) in January 2025



60,5 million UAH
(~\$16.64 million)

The SPFU transferred to the budget in January

Dynamics of budget revenues



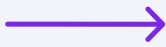
1,89 million UAH
(~\$45.21 million)

was directed to the Fund for Eliminating the Consequences of Armed Aggression. The funds were received following the payment by auction winner – ATB Group – for Aeroc LLC, a confiscated asset previously owned by sanctioned Russian oligarch Andrey Molchanov.

Other Key Performance Indicators of the SPFU – January 2025

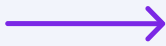
- 22 assets privatized
- 20 decisions issued for asset privatization
- 18 confiscated assets transferred to state revenue and placed under SPFU management.

Performance of the Asset Recovery and Management Agency (ARMA) in January 2025



635,2 million UAH
(~\$15.19 million)

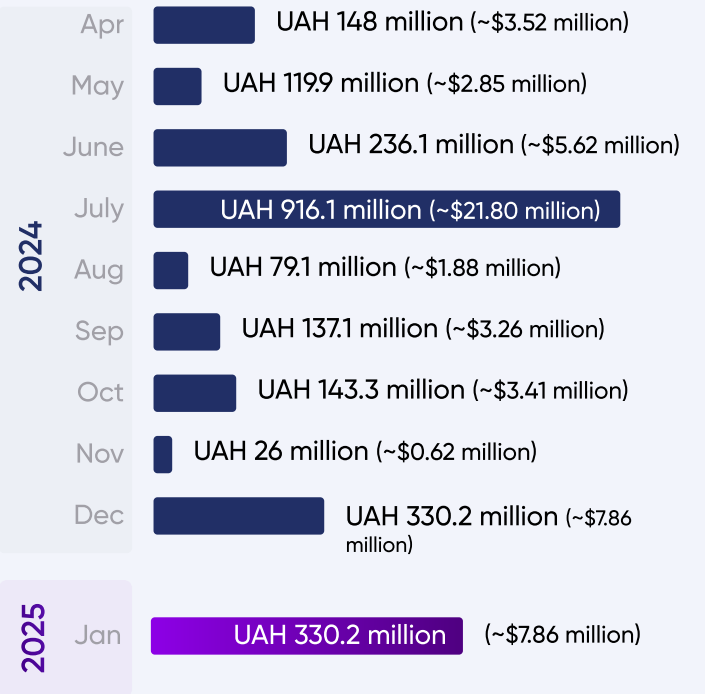
ARMA transferred to the state budget in **January 2025**



143,3 million UAH
(~\$3.43 million)

ARMA transferred to the state budget in **January 2024**

Dynamics of budget revenues



Breakdown of ARMA’s Budget Contributions – January 2025

- **UAH 423.5 million (~\$10.13 million)** – collected under sanctions legislation. These funds, including payments from Royal Pay LLC (linked to Russian bookmaker 1XBET), were directed to the Fund for Eliminating the Consequences of Armed Aggression.
- **UAH 19.6 million (~\$0.47 million)** – proceeds from managers of seized property assets.
- **UAH 87.3 million (~\$2.09 million)** – revenue from asset sales, including customs payments.
- **UAH 101.6 million (~\$2.43 million)** – income from managing seized funds through investments in military bonds (OVDP) in national and foreign currencies.
- **UAH 3.2 million (~\$0.08 million)** – interest earned from placing seized funds in deposit accounts.

Sector Updates

Abolition of the Commercial Code: What Will Change and What Are the Implications?

- **Key Facts:** On January 9, 2024, the Verkhovna Rada passed Law No. 6013, which provides for the abolition of Ukraine's Commercial Code (GKU) starting January 1, 2026.
- **Main goal:** Modernize state asset management, eliminate legal conflicts, and align Ukraine's commercial law with the European framework.
- A seven-year transition period is introduced for the reorganization of state enterprises.

Transition to Corporate Governance in State Asset Management Based on OECD Standards



Independent supervisory boards –
reducing political influence and corruption risks.



Transparent corporate governance –
improving efficiency and accountability in the public sector.



Separation of functions –
clear roles for the state (as owner) and management (as operator).



Financial transparency –
open financial reporting and performance monitoring.

What Will Change for Businesses?

- Easier business operations – fewer legal forms, simplifying company interactions and corporate structures.
- Elimination of regulatory dualism – business relations will be governed by the Civil Code and specialized laws, reducing legal uncertainty.
- Simplified corporate law – clear corporate governance rules and stronger shareholder protections.

What Will Change for State-Owned Enterprises (SOEs)?

- State unitary enterprises will gradually be transformed into joint-stock companies or limited liability companies.

- State and municipal enterprises will no longer be treated as distinct ownership forms.
- The outdated concepts of "economic management rights" and "operational management rights" will be replaced by clear and transparent mechanisms for leasing and trust-based asset management.
- The administrative-command model of state asset management will be replaced by a market-oriented corporate governance approach, increasing transparency and efficiency.

European integration aspect:

- The abolition of the Commercial Code is a major step in Ukraine's integration into the European economic space.
- EU countries do not have an equivalent of the Soviet-era Commercial Code.
- Business regulation in the EU is based on a unified legal framework, without contradictory norms.
- For years, European experts have pointed out that Ukraine's parallel legal codes create legal uncertainty and deter investment.
- Abolishing the Commercial Code eliminates these contradictions, making it easier for Ukraine to align with EU legal standards.

Benefits of the Reform:

- ✓ Greater transparency in the public sector and more effective state asset management.
- ✓ Improved investment climate with clearer business regulations.
- ✓ More competitive market conditions for all businesses.
- ✓ Stronger creditor and investor protections.
- ✓ Elimination of conflicting provisions in the Civil and Commercial Codes, reducing inconsistencies in court rulings.

Risks and Implementation Challenges:

- ✖ Shortage of qualified experts to serve on supervisory boards of restructured SOEs.

- Administrative burden on companies and registration bodies during the transition to new legal structures.
- War-related risks – the transition period may overlap with economic and security challenges.
- Potential legal gaps if necessary legislative amendments are not enacted in time.
- Legal professionals (specialists in commercial law, judges) may continue applying outdated norms out of habit.

Conclusions

The abolition of the Commercial Code is a structural reform that will eliminate legal contradictions, increase transparency, and enhance the efficiency of state asset management. It will also align Ukraine's corporate law with European standards. Despite transition risks, the long-term benefits far outweigh the challenges for all stakeholders:

- The state will attract more investment.
- Businesses will operate under clear, predictable rules.
- The legal environment will ensure fairness and transparency in dispute resolution.

Draft Law No. 12230 – New Privatization Rules for Leased Assets

What Will Change? Draft Law No. 12230, adopted in the first reading on January 16, 2025, eliminates the direct buyout mechanism for state and municipal property by tenants who have invested in improvements and introduces mandatory auctions.

This ensures market-driven pricing and closes corruption loopholes (including the so-called "toilet schemes", which are explained [in more detail here](#)).

Key Innovations:

- **Elimination of direct buyout** – from now on, no tenant can purchase an asset without competition.
- **Introduction of Right of First Refusal auctions** – tenants can acquire an asset by matching the highest auction bid.

- **Changes in improvement compensation** – tenant investments will be accounted for as reduced rent rather than direct monetary reimbursement.
- **One-year transition period** – allows market participants to adapt and complete ongoing processes.

Why Is This Important?



Increasing local budget revenues
eliminating non-transparent schemes could generate over UAH 1 billion (~\$24 million) in additional annual revenue.



Eliminating corruption schemes
previously, tenants could purchase property at undervalued prices without competition. This will no longer be possible.



Aligning with European standards
auctions as the only sales mechanism are a best practice for transparent asset management in the EU.



Boosting competition and investment
open asset sales will attract more businesses to the privatization process.

Key Changes in a Comparative Table

Current Model	New Model (Draft Law No. 12230)
Tenants could buy assets directly if they invested in improvements	Privatization exclusively through auctions
Buyout price was set by an appraiser, often undervalued	Price determined through open bidding
Risk of collusion and political influence in buyouts	Transparent auctions via Prozorro.Sale
Tenants were compensated for improvements in direct payments back	Investments offset through reduced rent
Corrupt “insider buyouts”	Equal and fair conditions for all participants

What Are the Expected Outcomes?

- **For local budgets** – higher revenues due to competitive auctions.
- **For tenants** – retention of the right to buy, but only at market price, with an optimized compensation process for improvements.
- **For businesses** – more opportunities for new investors through open privatization.
- **For communities** – a fairer distribution of municipal property, free from hidden deals.

Potential Risks and Challenges

- ⚠ Some tenants may resist participating in auctions and attempt to delay the process through legal action to avoid losing their assets.
- ⚠ Some potential bidders may be discouraged from participating, knowing that current tenants have the right to match the highest bid.

Conclusion

Draft Law No. 12230 is a step toward transparent privatization and in mitigation of corruption risks. It eliminates opaque buyout schemes and guarantees competitive sales. The result? Higher budget revenues, increased investment, and stronger market mechanisms. While implementation challenges exist, they can be addressed through clear secondary regulations and effective communication with businesses. If properly executed, this reform could become one of the most impactful improvements in state asset management in recent years.



However, there is moderate skepticism regarding the timeline for when the law will be adopted as a whole and sent to the president for signing, as the current status of the bill is: **preparing for the second reading.**

Our Surveys:

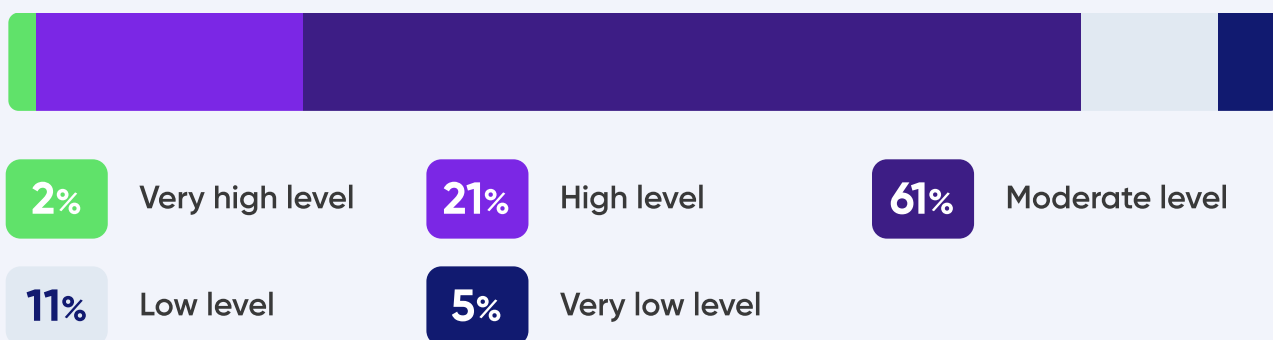
Business Perception of Corruption, Reforms, and Governance



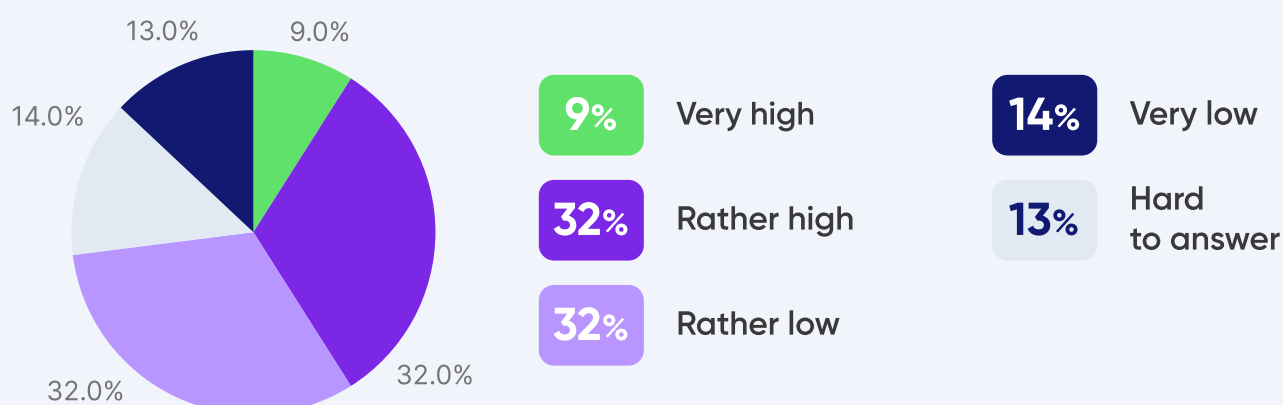
The NGO "Technologies of Progress," in collaboration with [Gradus Research](#), conducted a survey among 75 owners, executives, and top managers from medium and large businesses to assess their views on corruption, reforms, and state governance in Ukraine in 2024.

Key Findings:

- 1 Integrity of State Institutions** – 61% of business leaders rate the integrity of their interactions with government agencies as moderate. Meanwhile, 21% consider it high, while 11% perceive it as low.



- 2 Public Procurement: Mixed Business Perceptions** – 46% of respondents believe that participating in public tenders involves challenges related to transparency and competition. However, 41% see procurement opportunities positively, indicating gradual improvements in the perception of the state tender system.



- ③ **State Asset Management: Divided Opinions** – 36% of business leaders feel that state asset management has improved, while 32% believe it has worsened.



The full report [is available at the following link](#).



Keep up with the latest news

Subscribe to the digest



[Digest archive](#)