

STATE PROPERTY ASSET MANAGEMENT

MONTHLY DIGEST

TECHNOLOGY
OF PROGRESS

#7

OCTOBER
2024

Tracker of reforms in state asset management

The plan for implementing the lending facilities of the European Union and International Monetary Fund programs envisages a number of measures and reforms in state asset management. The purpose of these measures are to:

- improve the efficiency of state property management;
- Increase the investment allurements of Ukraine;
- implement OECD standards that will bring corporate governance of state assets closer to best international practice.



Expert opinion

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In the fall, the Government adopted the state property policy and appointed independent members to the Supervisory Board of Ukrenergo. This means that Ukraine has timely fulfilled the requirements in the field of state asset management under the EU's Ukraine Facility financial support mechanism and the IMF program requirements which were scheduled by the end of the year.

Deadline	Status	Reform
2nd Quarter 2024		Law on corporate governance of SOEs in line with OECD guidelines
End of October 2024		Approval of state property policy (also the IMF requirement)
End of December 2024		Formation of the Supervisory Board of Ukrenergo with a majority of independent experts (IMF structural benchmark)
1st Quarter 2025		Adoption of the Roadmap for SOEs' separating accounts
1st Quarter 2025		Law on the ARMA reform
3rd Quarter 2025		Legislation for separating accounts of SOEs
2nd Quarter 2026		Appointment of supervisory boards with a majority of independent members in at least 15 key state companies
3rd Quarter 2026		Corporatization of at least 15 key state companies
3rd Quarter 2027		Report of an independent audit on separating activities, taking into account special obligations
4th Quarter 2027		Legislation on consolidated management entities for SOEs

 Completed
  In Progress
  Waiting for development

Ukraine's Cabinet of Ministers approves a state ownership policy that defines the role of the state in the management of state-owned enterprises.

This step enables the government to meet another requirement under the IMF's Extended Fund Facility (EFF) programme and the European Union's Ukraine Facility (EUF) implementation plan in a timely fashion.

According to Yulia Svyrydenko, Minister of Economic Development and Trade, the state property policy provides clear guidelines for creating the most efficient state asset portfolio. The document should also ensure the further implementation of OECD corporate governance standards, including the establishment of supervisory boards, the introduction of a transparent remuneration policy for heads of state-owned enterprises and board members, and the adoption of a dividend policy.

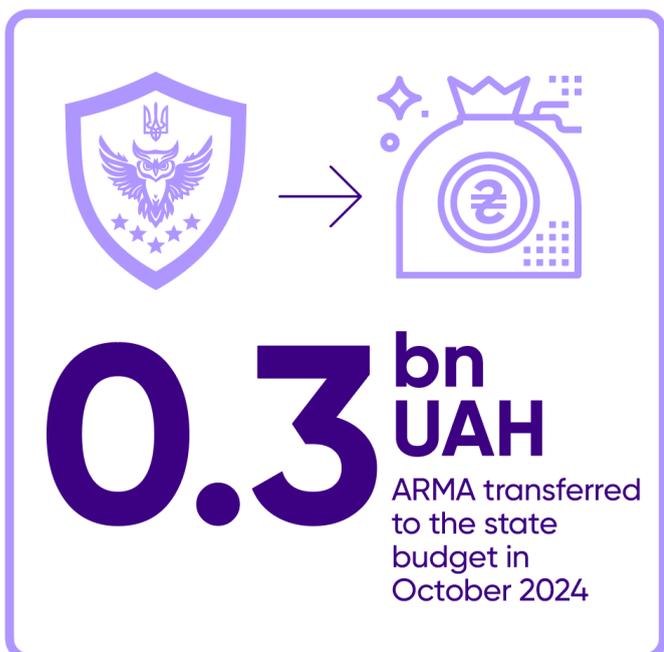
Government appoints independent members of Ukrenergo's supervisory board.

On Nov. 27, the Cabinet of Ministers approved the candidacies of four new independent members of the Supervisory Board of Ukrenergo, the state-owned electricity transmission system operator. Thus, the government has partially fulfilled the structural milestone of the IMF's memorandum with Kyiv, which is set to be completed by the end of December. The next step is for the government to nominate and approve three Ukrainian members to the supervisory board.

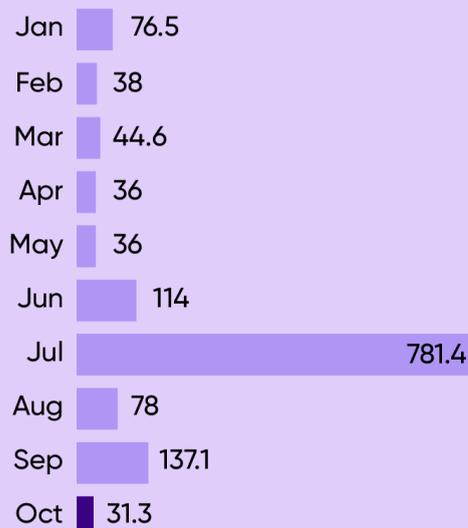
The Supervisory Board of Ukrenergo has the following independent sitting members:

- **Patrick Roland Graichen**, former State Secretary of Germany's Federal Ministry for the Environment and Climate Protection (2021-2023);
- **Luigi de Francisci**, former top manager of Terna, Europe's largest electricity transmission system operator;
- **Jeppe Sebastian Kofod**, former Minister for Foreign Affairs of Denmark (2018-2022), Member of the European Parliament and the Danish Parliament;
- **Jan Henrik Montell**, former board member of the Nordic energy exchange Nord Pool and CFO of the Finnish electricity transmission system operator Fingrid.

Performance of the Asset Recovery and Management Agency (ARMA) in October 2024



Revenues for the state budget ensured by ARMA (million UAH)



Other key performance indicators for ARMA

- ARMA invested **UAH 2 billion** in “war bonds”
- **UAH 3.8 million** was transferred to the budget from the sale of seized assets, including UAH 285,000 from the sale of property belonging to high-profile traitor Viktor Medvedchuk

- **Eight seized items** for which ARMA announced tenders for the pursuit asset managers
- **Sixteen decisions** on the transfer of seized assets into receivership

In October, an ARMA contractor completed the valuation of a collection of paintings and icons belonging to Medvedchuk. One-hundred thirty-six art pieces were valued at UAH 3.8 million. The collection will be sold through auctions on the Prozorro.Sale system.

Challenging cases in ARMA's activities

The state budget lost about UAH 3 million in July-October 2024 because, according to ARMA, state prosecutors did not sign acts of acceptance for transferring property in Lviv to the management of the winner bidder of an online auction for four months. The potential losses to the state budget due to the inability to sell the ROYAL ROMANCE yacht, which belonged to Viktor Medvedchuk, frozen in Croatia, amount to more than 130 million euros. In order to sell the asset, ARMA needs the Prosecutor-General's Office of Ukraine to initiate the procedure for legalizing the Ukrainian court decision under Croatia's. Moreover, the state asset recovery agency has had no response from the prosecutor's office confirming that the relevant procedures have been initiated.

Performance of the State Property Fund of Ukraine (SPFU) in October 2024



Revenues for the state budget ensured by SPFU (million UAH)



Other key performance indicators of the SPFU

- **Forty-four objects** have been privatized
- **Seven large-scale privatisation objects** and 1,387 small-scale privatisation objects are at the disposal of the SPFU as of Oct. 31, 2024.

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