

# 3.3. PRIVATISATION PROSPECTS IN UKRAINE

Ukraine has overseen a significant portfolio of state-owned assets. According to the Ministry of Economy, from 3,293 state owned enterprises listed as of 2022, only 1,058 remains economically active in 2024. These SoEs are primarily focused in strategic sectors like energy, infrastructure, and defence. More than half of the banking sector's assets, including NPLs, are under state ownership, alongside 370 recreation facilities, despite the challenges posed by ongoing war.

Apart from government-level SOEs, there's also a sizable portfolio of municipally owned enterprises (MOEs), estimated at around 15,000. Municipal ownership is typically for healthcare, administration, utilities, and transport, what are significant recipients of state aid. However, information on these enterprises remains fragmented due to a lack of mapping.

In 2022-2023, Ukrainian legislation underwent significant changes, broadening the scope of assets managed by the State Property Fund of Ukraine (SPFU) to include sales to private investors. **Alongside the existing framework for small privatisation asset sales through electronic auctions, new measures were introduced, including:**

- Sale of assets through electronic auctions for large-scale privatisation (assets with a starting price above UAH 250 million).
- Management through the sale of assets seized for state revenue due to sanctions by the Law of Ukraine «On Sanctions.»
- Formation of a land bank from agricultural lands previously under the permanent use right of state companies and institutions.

Ukraine's strategic objectives in managing state assets and privatisation from 2024-2027 include optimising the SOE portfolio and preparing them for privatisation, along with improving corporate governance and performance. The Ministry of Economy and SPFU will prioritise implementing these directions, defining the government's vision on SOEs through an overarching ownership policy. This policy will guide decisions on privatisation, liquidation, or retention of SOEs in state ownership, transforming the sector through corporatization and restructuring, while adhering to OECD Guidelines.

Improving governance practices, consolidating SOE management, and optimising the SOE portfolio in line

with the ownership policy are key reforms planned. The relaunch of large-scale privatisations is set to occur once conditions are favourable, aiming for transparency and attracting strategic foreign investors.

For 2024-2025, the SPFU plans to initiate the sale of large-scale privatisation assets, with 19 assets already listed as of April 2024. Additionally, small privatisation assets will be actively listed for sale, with 1,344 objects listed by the end of May 2024. The State Budget of Ukraine for 2024 anticipates revenues of 4 billion UAH from the privatisation of state-owned assets.

The SPFU actively manages a diverse portfolio of assets, including those levied under the Law of Ukraine «On Sanctions.» As of May 2024 the list of the assets in the sanctions register included 735 items (according to the decision of the High Anti-Corruption Court of Ukraine). These assets, initially levied as sanctions, represent significant investment opportunities, prepared for sale by Ukraine's privatisation legislation. The State Property Fund has already announced its first auctions for the sale of sanctioned assets and is preparing additional sanctioned assets for sale.

**The first actions expected for large-scale investment opportunities include:**

- Hotel «Ukraine,» Kyiv, with four stars, located in the city centre on Maidan Nezalezhnosti, offering various amenities.
- JSC «United Mining and Chemical Company» (UMCC), one of the world's largest producers of titanium raw materials, managing Vilnohirs'k Mining and Metallurgical Plant and Irshansk Mining and Processing Plant.
- A majority share of Lybid Investment Union LLC, which owns Ocean Plaza shopping mall in Kyiv, one of the largest shopping and entertainment complexes in the city.

Additional opportunities for the private sector are expected in the field of state-owned land, facilitating business opportunities through transparent leasing of agricultural land via online auctions on Prozorro.Sale. With the state owning approximately 700,000 hectares, potential annual lease income could reach up to 7 billion UAH. The first auctions under the «Land Bank» project are expected to commence in 2024, with preparatory actions currently underway by the State Property Fund and authorised entities.