



## **ANALYSIS OF THE PROBLEM OF REALIZATION OF SEIZED PROPERTY IN ENFORCEMENT PROCEEDINGS AND DEVELOPMENT OF THE MOST OPTIMAL WAY TO SOLVE IT**

The analysis was prepared by the public organization "EU-LEAP" as part of the development of proposals submitted to the National Agency for Corruption Prevention for consideration during the preparation of the draft Anti-Corruption Strategy and the draft State Anti-Corruption Program for 2026-2030.

## **Introduction**

The sale of seized property is one of the key tools for ensuring the enforcement of court decisions, the return of assets to the state, and the satisfaction of creditors' claims. At the same time, this area remains vulnerable to corruption risks due to low transparency, limited competition, and insufficient regulatory clarity in the division of functions between central executive bodies responsible for ensuring the formation and implementation of state policy in the field of property sales or rights to property on a competitive basis in the form of auctions and the implementation of state policy in the field of enforcement of court decisions.

The lack of uniform standards for the organization and conduct of auctions, the duplication of functions between executors and asset sellers, insufficient oversight of the activities of auction organizers, and legislative restrictions on the sale of state-owned enterprises all create significant opportunities for abuse.

The result is a shortfall in state budget revenues and a loss of confidence in the mechanisms for enforcing court decisions. Despite the existence of alternative electronic systems that have proven their effectiveness, there is still a lack of full competition and transparency in the sale of seized property in enforcement proceedings. This necessitates institutional reform with a focus on integrity, openness, and accountability.

### **1. Problem.**

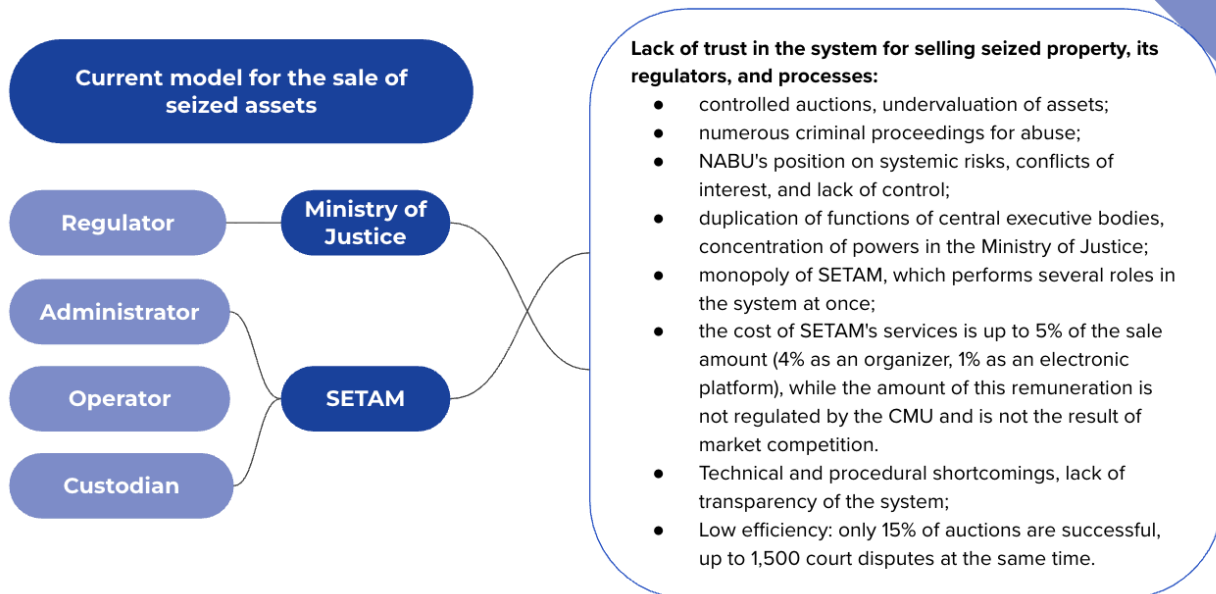
**The model for the sale of seized property in enforcement proceedings, which combines the functions of the organizer of electronic auctions, operator of an electronic trading system, and custodian of property within a single entity and operating under conditions of limited access for other market participants, is inefficient and non-transparent, creating corruption risks, hindering fair competition, and leading to direct financial losses for the state and creditors.**

The current architecture for the sale of seized property may create conflicts of interest and give rise to corruption risks due to restrictions on competition and controllability of auctions, which reduces the effectiveness of asset sales in enforcement proceedings and the degree of satisfaction of creditors' rights. The combination of the functions of system administrator, auction organizer, operator (broker), property custodian, and participant in the enforcement process in a single entity makes proper control impossible, promotes opaque practices, and upsets the balance of powers (see Fig. 1). The de facto monopoly, lack of market competition, closed system, concentration of regulatory powers in a single enforcement body, and failure to implement the AMCU's recommendations only increase the risks of mismanagement of debtors' assets.

Thus, the current model has signs of monopoly, opacity, and is technically vulnerable due to the closed nature of the code. The legal architecture of the system for the sale of seized property in enforcement proceedings does not meet modern requirements for effective legal regulation in terms of balance, distribution, and delegation of powers, as it has not changed since 2016 (it is not harmonized with the current legislative framework or best practices in the field of public sector asset management).

At the same time, the regulatory role in determining the procedure for the sale of seized assets at electronic auctions is assigned to the Ministry of Justice and defined at the level of an order, rather than a resolution of the Cabinet of Ministers, despite the fact that policy-making in the field of electronic auctions falls within the competence of the Ministry of Economy. Such regulation leads to duplication of functions, concentration of powers, contradicts the logic of administrative reform, and creates legal uncertainty.

Fig. 1 Issues with the current model for the sale of seized assets



## 1.1. Analysis of the problem

### 1.1.1 Causes of the problem

#### 1. Ukraine has a legal model for the sale of seized property in enforcement proceedings that is conflictual in terms of the functional division of powers between state authorities.

The current version of the Law of Ukraine "On Enforcement Proceedings" dated 02.06.2016 No. 1404-VIII provides that the procedure for conducting electronic auctions is determined by the Ministry of Justice of Ukraine.

This provision was incorporated into the legislation before the Cabinet of Ministers of Ukraine granted the Ministry of Economy a mandate to formulate state policy in the field of sale of property (property rights, other assets) or rights thereto on a competitive basis, including in electronic form, in accordance with the Law of Ukraine "On Lease of State and Municipal Property" (2019).

The Ministry of Economy, Environment and Agriculture of Ukraine, in accordance with the Regulations approved by Resolution of the Cabinet of Ministers of Ukraine No. 903 of July 21, 2025, is the main body in the system of central executive authorities that ensures the formation and implementation of state policy in the field of property sales on a competitive basis, in particular through electronic auctions, and also monitors its implementation.

However, the current version of the Law of Ukraine "On Enforcement Proceedings" has not been brought into line with the updated functional distribution, as a result of which the Ministry of Justice retains powers that fall within the competence of the Ministry of Economy. In particular, the sale of seized property in enforcement proceedings continues to be carried out in accordance with the procedure approved by the Ministry of Justice, through electronic auctions or sale at a fixed price.

At the same time, subparagraph 83-30 of paragraph 4 of the Regulations on the Ministry of Justice of Ukraine, approved by Resolution of the Cabinet of Ministers of Ukraine No. 228 of July 2, 2014, it is specified that the Ministry of Justice performs only analytical, informational, methodological, organizational, and other types of work related to ensuring the sale of seized property.

The above-mentioned inconsistency leads to duplication of functions, managerial inconsistency, concentration of powers, and violation of the principles of good governance, as well as creating corruption risks in the management of seized property.

**2. Legal regulation of the sale of seized property creates conditions under which the state-owned enterprise SETAM remains the sole actual organizer of electronic auctions, which causes risks of monopolization and corruption abuses in this area. Regulatory changes that provided for the elimination of non-competitive conditions have not come into force since 2020.**

The legal regulation of the sale of seized property in Ukraine is carried out in accordance with the Law of Ukraine "On Enforcement Proceedings" dated 02.06.2016 No. 1404-VIII and the Procedure for the sale of seized property, approved by Order of the Ministry of Justice of Ukraine No. 2831/5 dated 29.09.2016 (hereinafter referred to as the Procedure).

In accordance with Section XII of the Procedure, the auction organizer, who may be a participant in the market for the sale of seized property, is determined on a competitive basis by a competition commission for a term of five years, which is created by the Ministry of Justice of Ukraine.

The announcement of the competition is published on the official website of the Ministry of Justice of Ukraine. The announcement specifies the dates of the competition, the requirements for participants, the list of necessary documents, and the contact details of the responsible persons.

It should be noted that, in accordance with subparagraph 2 of paragraph 9 of Section XII of the Procedure, business entities that are required to own an electronic trading system that uses a comprehensive information protection system, as confirmed by the results of a state examination conducted in accordance with industry requirements and information security standards, in accordance with the procedure established by law and ensuring: unhindered access for participants to participate in electronic auctions, equal conditions of participation for all participants in electronic auctions, equal conditions of access to information about auctions 24 hours a day, seven days a week; the ability to search and view complete and reliable information on electronic auctions, an archive of past auctions with detailed information on their history (registered auction participants, lots, bids); the ability to anonymously (as an observer) monitor the processes that take place during electronic auctions; protection of data and information from computer viruses; the availability of means of protecting software information systems and applications from DoS and DDoS attacks; the availability of a secure connection (SSL).

According to subparagraphs 5, 6, 7, 9 of paragraph 9 of Section XII of the Procedure, business entities that meet the following criteria are eligible to participate in the competition:

- be able to provide storage and transportation services for seized property throughout Ukraine, as well as related services (loading, unloading, etc.) independently or by engaging third parties that provide such services on a contractual basis;

- be able to provide closed storage facilities and open areas for storing motor vehicles with an alarm system or round-the-clock video surveillance with the possibility of calling a rapid response team;

- have an extensive network of branches throughout Ukraine, in particular, in at least 2/3 of the regions;
- have an authorized capital of at least 5 million hryvnias.

***The established requirements for the storage and transportation of property, the presence of branches throughout Ukraine, and a formed authorized capital of at least 5 million hryvnias are actually met only by SETAM***, which creates risks of abuse of SETAM's artificially created monopoly position and, as a result, increases corruption risks in the sale of seized property, as confirmed by the following.

The Ministry of Justice in a special subordinate act (initially in the Procedure for the sale of seized property through electronic auctions, approved by Order No. 2710/5 of December 22, 2015, and, after it ceased to be in force, in the Procedure for the sale of seized property, approved by Order of the Ministry of Justice No. 2831/5 of September 29, 2016), which regulates relations in the field of the sale of seized property through electronic auctions, the organizer of electronic auctions was specified as the specific state-owned enterprise "SETAM," rather than the criteria that the organizer of electronic auctions would have to meet, thereby establishing a single service provider in this area.

According to information from the Ministry of Justice of Ukraine, published on its official website, both in 2019<sup>1</sup> and in 2024<sup>2</sup>, based on the results of competitions to determine the organizer of electronic auctions for the sale of seized property, conducted in accordance with the Procedure for the sale of seized property, the winner was invariably the state-owned enterprise "SETAM".

It should be noted that in 2016, the Antimonopoly Committee of Ukraine (hereinafter referred to as the Committee) conducted a study of the market for the sale of seized property through electronic auctions, as a result of which the Ministry of Justice of Ukraine (hereinafter referred to as the Ministry of Justice) was provided with the Committee's Recommendations dated 20.09.2016 No. 16-rk<sup>3</sup> (hereinafter referred to as Recommendations No. 16-rk) on the cessation of actions that contain signs of violation of the legislation on the protection of economic competition and obliged to eliminate the causes of these violations and the conditions that contribute to them.

The operative part of Recommendations 16-rk establishes the following:

1. Amend the regulatory and legal acts to provide for:
  - 1.1. The possibility of conducting activities on the market for the sale of seized property through electronic auctions not only by SETAM, but also by other business entities.
  - 1.2 Objective, non-discriminatory criteria for business entities organizing auctions that may participate in the market for the sale of seized property, as well as a competitive selection procedure for them.
  - 1.3 An upper limit on the amount of remuneration paid to the organizer for organizing and conducting electronic auctions, which will enable business entities organizing auctions to compete on price.
2. Separate the functions of the business entity – auction organizer and the entity that provides support for the electronic auction system software, technological support, storage, and protection of the data contained therein.

<sup>1</sup> Results of the competition to select an organizer of electronic auctions for the sale of seized property, Ministry of Justice of Ukraine, March 18, 2019. *Ministry of Justice of Ukraine*. URL: <https://surli.cc/wrsrfq>

<sup>2</sup> Results of the competition to select the organizer of electronic auctions for the sale of seized property, Ministry of Justice of Ukraine, May 24, 2024. *Ministry of Justice of Ukraine*. URL: <https://surli.li/ajxdzo>

<sup>3</sup> Recommendations of the Antimonopoly Committee of Ukraine to the Ministry of Justice of Ukraine dated 20.09.2016 No. 16-rk. URL: <https://surli.li/yxdyun>

By order of the state-authorized Committee dated 28.04.2017 No. 08/105-r, consideration of case No. 130-26 was initiated.13/64-17 in connection with the failure of the Ministry of Justice to comply with Recommendations No. 16-rk, of which the Ministry of Justice was notified by letter of the Committee dated May 3, 2017, No. 130-26.13/05-4828.

Based on the results of the analysis of legislative changes and materials provided by the Ministry of Justice, the Committee prepared a submission dated 31.03.2021 No. 130-26.13/64-17/138-spr on the closure of proceedings in case No. 130-26.13/64-17, taking into account the following.

In accordance with the provisions of the decision of the Antimonopoly Committee of Ukraine dated May 27, 2021, No. 292-r (hereinafter – Decision No. 292-r) on the closure of proceedings in case No. 130-26.13/64-17 in February 2019, the Ministry of Justice issued Order No. 413/5 "On Amendments to Order of the Ministry of Justice of Ukraine No. 2831/5 dated September 29, 2016" (hereinafter referred to as Order No. 413/5), which amended the Procedure for the sale of seized property, approved by Order of the Ministry of Justice No. 2831/5 dated September 29, 2016 (hereinafter referred to as the Procedure), and, in particular, provided for:

- 1) separation of the functions of organizing electronic auctions and selling seized property;
- 2) the sale of seized property by operators of electronic trading platforms;
- 3) setting an upper limit on the remuneration of the organizer of electronic auctions and the operator of the electronic trading platform;
- 4) establishing the procedure for conducting a competition to select an electronic auction organizer;
- 5) determination of requirements (criteria) for the organizer of electronic auctions.

Also, in order to improve the procedures for the sale of debtors' property through the electronic auction system, the Ministry of Justice issued Order No. 2933/5 of August 28, 2020, "On Approval of Amendments to the Procedure for the Sale of Seized Property" (hereinafter referred to as Order No. 2933/5), registered with the Ministry of Justice on September 1, 2020, under No. 832/35115, which was approved by the Committee by letter No. 130-06/02-5387 dated April 10, 2020.

Paragraph 2 of Order No. 2933/5 designates the state-owned enterprise "PROZORRO.SALE," which is under the jurisdiction of the Ministry of Economic Development, Trade, and Agriculture of Ukraine, as responsible for ensuring the functioning of the electronic trading system—the administrator of the electronic trading system.

The Committee analyzed the measures taken by the Ministry of Justice, as set out in its letter dated November 30, 2020, No. 9907/11.6.1/11-20, from which the following can be inferred (according to the Committee's instructions).

Paragraph 1.1 of Recommendations 16-rk provided for the Ministry of Justice to amend regulatory and legal acts to ensure that not only SETAM, but also other business entities could conduct activities on the market for the sale of seized property through electronic auctions.

Amendments to the Procedure for the sale of seized property, approved by Order of the Ministry of Justice No. 2933/5 of August 28, 2020, amended paragraph 1 of this Procedure and provided new definitions of an electronic platform operator and an organizer of electronic auctions, fixed-price auctions (Organizer) were introduced, according to which the organizer is determined on a competitive (tender) basis, which is in line with the objectives of the recommendations. In addition, with regard to the sale of seized property, it may be carried out through their own

electronic platforms and on their own behalf as operators by any business entities that meet the criteria established for the Operator.

Amendments to the Procedure in accordance with the order of the Ministry of Justice dated August 28, 2020. No. 2933/5, which approved changes to the Procedure for the sale of seized property, will come into force on the day following the date of publication on the Ministry of Justice website of an announcement on the start of the sale of seized property in the electronic trading system administered by the state-owned enterprise "PROZORRO.SALE".

In other words, the Procedure provides for the possibility of conducting activities on the market for the sale of seized property through electronic auctions not only by SE "SETAM," but also by other business entities.

Paragraph 1.2 of Recommendations No. 16-rk of the Ministry of Justice provided for amendments to regulatory acts, which will provide for objective non-discriminatory criteria for business entities – auction organizers that may be participants in the market for the sale of seized property, as well as a competitive procedure for their selection.

According to the first paragraph of section 1 of chapter XII of the Procedure for the sale of seized property, the Organizer is determined by the competition commission based on the results of the Competition. Paragraphs 9 and 10 of Section XII of the Procedure set out the criteria for business entities planning to participate in the competition and the relevant restrictions.

The Ministry of Justice reports that these criteria are non-discriminatory and characterizes them as ensuring the most successful sale of seized property. In addition, the Committee has not received any information from business entities or authorities that would indicate the bias or discrimination of the established criteria for business entities organizing auctions that may be participants in the market for the sale of seized property, as well as the competitive procedure for their selection.

In other words, the Procedure provides for objective, non-discriminatory criteria for business entities that organize auctions and may participate in the market for the sale of seized property, as well as a competitive selection process.

Paragraph 1.3 of Recommendations No. 16-rk of the Ministry of Justice provided for amendments to regulatory acts, which will set an upper limit on the amount of remuneration to the organizer for organizing and conducting electronic auctions, which will enable business entities – auction organizers – to compete on price.

According to the first paragraph of section 2 of Chapter III of the Procedure, the Organizer's remuneration is up to 4% of the value of the property sold. According to section 3 of the Amendments to the Procedure for the sale of seized property, the Organizer's remuneration is 3.9% of the value of the property sold. The Operator's remuneration is 1% of the value of the property sold. Based on the above regulatory provisions, the functions of organizing and conducting electronic auctions are not combined, as they are assigned separately to the Organizer and the Operator, respectively. At the same time, the procedure for conducting the competitive selection of the Organizer is regulated by Section XII of the Procedure, the first paragraph of clause 1 of which, in particular, provides that the Organizer is determined by the competition commission based on the results of the competition for a term of five years.

Taking into account that the current legislation on the sale of seized property distinguishes between the functions of the Organizer, Operator, and Administrator, and that the procedure for selecting the Organizer is competitive (but does not involve price competition), and that the function of organizing electronic auctions is entrusted to a single business entity—the Organizer,

selected through a competitive selection procedure, setting an upper limit on the amount of remuneration for the latter does not provide for the possibility of competing on price, since the Ministry of Justice has applied a different approach to ensure competition.

In other words, taking into account the competitive approach to the selection of the Organizer provided for in the Amendments to the Procedure for the Sale of Seized Property, the procedure for determining the amount of remuneration to the Organizer for organizing electronic auctions does not contradict the principles of competition law.

**Paragraph 2 of Recommendations No. 16-rk of the Ministry of Justice provided for the separation of the functions of the business entity – the auction organizer – and the entity that provides support for the electronic auction system software, technological support, and the storage and protection of the data contained therein.**

Based on the provisions of the Procedure set out above, it distinguishes between the concepts of "organization of electronic auctions (fixed-price auctions)" and "conducting electronic auctions (fixed-price auctions)".

According to paragraph 1 of the Amendments, the administrator of the electronic trading system (hereinafter referred to as the Administrator) is a legal entity designated by the Ministry of Justice of Ukraine responsible for ensuring the functioning of the electronic trading system and authorized to carry out measures to support the software and technical support of the central database of the electronic trading system, to store and protect the data contained therein, to maintain this system, to ensure its uninterrupted operation and user access to it, and to perform other functions provided for by this Procedure. It is prohibited to combine the functions of the Administrator and operator of the electronic platform or the Administrator and organizer of electronic auctions and fixed-price auctions in one person.

In other words, the Procedure provides for the separation of the functions of the business entity that organizes the auction and the entity that provides support for the electronic auction system software, technological support, storage and protection of the data contained therein.

**On this basis, the Antimonopoly Committee decided to close proceedings in case No. 130-26.13/64-17 on the grounds that the Ministry of Justice had taken appropriate measures to remedy the consequences of the violation.**

**When analyzing the above, the following should be emphasized.**

Indeed, by Order of the Ministry of Justice of Ukraine No. 2933/5 dated August 28, 2020 (hereinafter - Order No. 2933/5), amendments to the Procedure for the sale of seized property were approved, regulating the above provisions specified in the decision of the Antimonopoly Committee of Ukraine dated May 27, 2021, No. 292-r, according to which proceedings in case No. 130-26.13/64-17 were closed.

Paragraph 7 of Order No. 2933/5 establishes that this order shall enter into force on the date of its official publication, except for paragraphs 1, 2 of this order, which shall enter into force on the day following the date of publication on the website of the Ministry of Justice of Ukraine of the announcement of the start of the sale of seized property in the electronic trading system administered by the state-owned enterprise "PROZORRO.SALE".

Paragraph 7 of No. 2933/5 stipulates that control over the implementation of this order is entrusted to the Deputy Minister of Justice of Ukraine for Enforcement Service, A. Haichenko.

As of October 2025, no announcement has been published on the website of the Ministry of Justice of Ukraine regarding the start of the sale of seized property in the electronic trading system

administered by the state-owned enterprise "PROZORRO.SALE," which indicates that paragraphs 1 and 2 of Order No. 2933/5 have not entered into force.

**Thus, since Order No. 2933/5 has not entered into force, the recommendations of the Antimonopoly Committee have not been implemented.**

### **1.1.2. The essence of the problem**

**1. SETAM simultaneously performs the functions of a tender organizer (electronic platform/seller) and administrator of the electronic trading system, which leads to a concentration of powers and creates risks of conflict of interest between the functions of administrator and operator-broker within a single entity.** This combination contradicts the principle of fair distribution of powers during electronic auctions, as there is no independent supervisory body to monitor compliance with the rules for the sale of assets (in particular, the time frame for submitting documents, accepting bids, and other procedural aspects).

Moreover, by combining the functions of system administrator and electronic platform operator, SETAM has the technical ability to interfere in the auction process, which creates risks of manipulation, in particular, adjustment of auction parameters, influence on the admission or disqualification of participants, and the possibility of distorting auction results.

The concentration of the functions of administrator and auction operator within a single entity creates a direct conflict of interest, since SETAM, as a controlling entity, may not act in the interests of obtaining the highest price for an asset, but pursue its own goals—speeding up or, conversely, delaying the process of selling assets, which could potentially lead to selectivity in decision-making regarding specific auction participants.

**2. SETAM verifies participants in electronic auctions in a non-transparent manner, which makes it impossible to properly control and account for this process.** Since SETAM independently verifies participants, there is no possibility of an objective assessment of the grounds for refusing admission to the auction. Participants are not provided with information on the reasons for the rejection of their applications, and there is no mechanism for appealing such decisions. The electronic system may initially display the registration of a participant, but their application may subsequently be rejected without explanation.

**3. There is no fully developed system for protecting the electronic trading system of the State Enterprise "SETAM" that would prevent interference by third parties (in particular, administrators and persons providing server rental (hosting) services) and record and store information about the actions of administrators and other users of the system over a long period of time.** According to SETAM, this information is stored for no more than two weeks.

The system does not provide open access to information about auction participants even after the auction has ended, nor does it contain data on the submitted documentation, which creates conditions for the participation of related parties in the auction, access to information about which is only available to the system administrator, SETAM. The absence of a public register of participants and contracts concluded as a result of tenders makes it impossible to verify the integrity of auctions and the authenticity of concluded agreements.

Despite the high requirements for information system security, SETAM does not have a comprehensive information security system (CISS), which increases the risks of unauthorized interference, data leaks, or information loss. The vulnerability of the system is confirmed by the fact

that at the beginning of the full-scale invasion, its operation was temporarily suspended, which indicates inadequate preparation for crisis situations<sup>4</sup>.

The EBRD Discussion Note "Enforcement of Debts in Europe and Beyond: The Road to Successful Reform" states in section 3.2.3 that "in Ukraine, enforcement authorities use the specialized electronic trading platform SETAM to sell the debtor's property in enforcement proceedings, but market participants confirm difficulties with the functioning of the system in practice, including cases where it was impossible to obtain confirmation from the system of payment of the security deposit required to participate in the trading session."<sup>5</sup>

**4. SETAM does not require the mandatory publication of concluded contracts**, which creates distrust in the system of property sales in enforcement proceedings, makes proper public control (public audit of agreements) impossible, and contradicts the principle of transparency.

**5. The code of the SETAM electronic system software is closed, which makes it impossible to independently assess its security and transparency.** The closed nature of the code may indicate the presence of potential technical vulnerabilities that allow interference in the auction process, modification of data, manipulation of auction results, or concealment of certain information. The lack of access to the system's algorithms and logic creates risks of unfair management of electronic auctions.

The lack of independent oversight of SETAM's activities allows for the manipulation of auction information, influencing of auction results, and concealment or deletion of data. This creates corruption risks, as confirmed by ongoing criminal proceedings against the former management of SETAM. At the same time, even after the initiation of criminal cases and public publicity, no measures were taken to eliminate the possibility of interference in the auction processes.

**6. SETAM does not provide a mechanism for communication between potential buyers and the auction organizer**, which limits the ability to obtain additional information about lots and may reduce the interest of participants.

In addition, SETAM does not have an independent commission to consider complaints about specific auctions, problems in the system, and violations of trading regulations. The introduction of such an external control mechanism is necessary to ensure the fair and transparent functioning of the electronic trading system.

The described shortcomings in the functioning of the auction organizer lead to the inefficient sale of property. Thus, the World Bank report notes that SETAM has proven ineffective for conducting transparent land auctions and is significantly inferior to PROZORRO.SALE<sup>6</sup>.

Therefore, it is worth citing the digital indicators of asset sales in two state electronic trading systems – SETAM and PROZORRO.SALE.

Since the introduction of electronic auctions in enforcement proceedings in 2014, a total of **536,788** auctions (235,444 for the period from 2019 to 2025) have been announced in the SETAM electronic trading system, amounting to almost **UAH 154.1 billion**, (UAH 93.7 billion for the period from 2019 to 2025), of which only **88,394** were successfully conducted, representing **16.5%**

<sup>4</sup> Attention, important information for OpenMarket-SETAM users! - setam.gov.ua. *SETAM* - setam.gov.ua. URL: <https://surl.li/vqwgqag>

<sup>5</sup> Discussion Paper "Building an Effective Debt Enforcement Framework". EBRD Conference. Debt Enforcement in Europe and Beyond The Road to Successful Reform. 6 December 2019, p.26 URL: <https://surl.li/yzpwgv>

<sup>6</sup> Deininger, Klaus W.; Ali, Daniel Ayalew; Neyter, Roman. Impacts of Transparent Online Auctions on Public Land Lease Revenue: Evidence from Legal and Administrative Changes in Ukraine (English). Policy Research working paper; no. WPS 10201 Washington, D.C.: World Bank Group., p.3. URL: <https://surl.li/xoleya>

(17.5% for the period from 2019 to 2025). Accordingly, based on the results of auctions held for the sale of seized property in the SETAM system, out of the total starting value of successful auctions in the amount of UAH 15.2 billion (UAH 9.7 billion for the period from 2019 to 2025), the actual sales amount reached UAH 17.3 billion (UAH 11.2 billion for the period from 2019 to 2025). At the same time, it should be noted that the consolidated data of the SETAM system does not contain information about the number of participants (competition) in the auction. Thus, the total percentage increase in price based on the results of the auction is approximately **13.8%** (**13.13%** for the period from 2019 to 2025) (according to SETAM system analytics as of September 30, 2025<sup>7</sup>).

For comparison, in bankruptcy proceedings, which are similar in nature to enforcement proceedings (as they also involve the forced sale of assets to satisfy creditors' claims), auctions have been held since 2019 through the PROZORRO.SALE electronic trading system. During this period, as of September 30, 2025, according to the PROZORRO.SALE analytical system<sup>8</sup>:

- 30,676 auctions were announced;
- the share of successful auctions was 26.46%;
- announced asset value – UAH 194.4 billion;
- revenue from sales – UAH 20.7 billion;
- increase from the starting price – 23%;
- average number of bids per auction – 2.07.

**Based on statistical data for the same periods (2019-2025), the following conclusions can be drawn:**

- The PROZORRO.SALE system has a 52% higher share of successful auctions, which indicates more effective interaction with the market ( $26.46/17.5=1.52$ ).

- The price increase in PROZORRO.SALE is **1.75 times** higher ( $23/13.13=1.75$ ). This indicates higher competition and more effective interaction between participants in the system's auctions.

- PROZORRO.SALE has 2.07 bids per lot, meaning that on average there is competition in every auction. The absence of this data in SETAM is a negative indicator of transparency and analytical quality.

- Thus, PROZORRO.SALE is a more competitive and economically effective system and can be considered a more efficient alternative for the sale of seized property. A direct correlation between the procedures is not always possible, but the order in which they are conducted is similar, and often the same persons, in particular, arbitration managers and private executors, are involved in both areas.

Therefore, the available statistical and qualitative indicators point to significant institutional and procedural inefficiencies in the system for the sale of seized property through SETAM compared to alternative models operating on the basis of PROZORRO.SALE. Due to the shortcomings of the SETAM system, there are risks of "controlled bidding," which, judging by the materials of investigations into the relevant facts, may be caused by corruption, resulting in the sale of property at an undervalued price.

An example of such a connection is the case of embezzlement of over UAH 440 million during the sale of seized property transferred to the ARMA, which was referred to court by the NABU and the SAP in May 2025. An indictment has been filed against 11 individuals, including former heads of the SETAM state enterprise and the ARMA. According to the investigation, in

<sup>7</sup> Statistics on sellers. *SETAM*. URL: <https://stats.setam.net.ua/sellers/>

<sup>8</sup> Key results. *Prozorro.Sales*. URL: <https://bi.prozorro.sale/#/>

2017–2019, an organized group developed a scheme to underestimate the value of assets and sell them to controlled companies through SETAM. The property was artificially undervalued, and the auctions were controlled, which allowed the participants in the conspiracy to obtain assets at prices tens of times lower than the market price. Among the confirmed episodes are the sale of three land plots in the Odesa region, 2,600 tons of sand, 4,500 tons of urea, and grain crops. The total damage to the state from these operations exceeded UAH 440 million.<sup>9</sup>

The scheme of underpricing during the sale of seized property was established by NABU and SAP, and a former member of parliament and other individuals are suspected of causing more than UAH 112 million in damage to a financial institution. According to the investigation, with the help of the head of the investigative department of the Main Investigative Directorate of the Security Service of Ukraine, the head of the asset management department of the Asset Recovery and Management Agency (ARMA), and officials of the State Enterprise "SETAM," the right to claim the loan was seized and transferred to ARMA, which put this right up for electronic auction by SETAM. The auction was won by a pre-selected company, which acquired the claim rights at a price reduced by UAH 112 million, paying only UAH 16.5 million. The auction itself was held illegally: without a proper court decision granting permission for the sale, and without an assessment report<sup>10</sup>.

Similar schemes of abuse were investigated in other criminal proceedings. In particular, in criminal proceedings No. 12019100060004520 of October 11, 2019, conducted by the 4th Department of the 1st Directorate of Pre-trial Investigation of the SBU under the procedural supervision of the Office of the Prosecutor General of the SBU, a possible conspiracy between the state-owned enterprise SETAM, appraisers, contractors, and notaries regarding the sale of T.M.M. assets to front men at a price reduced by UAH 250 million.

The pre-trial investigation has established that officials of SETAM, Ukrspotsbank, and contractors are appropriating and embezzling T.M.M. property by abusing their official positions. The scheme consisted of the bank prematurely applying to private notaries to return the property in favor of paying the debt of T.M.M.-TOB under a loan agreement, even though the company had offered to repay or restructure the debt. In accordance with the instructions of a private notary, the executor appointed a controlled expert appraiser who prepared reports and conclusions with a deliberately low valuation of the property. Subsequently, the executor initiated an auction on SETAM, as a result of which the property was sold to controlled business entities, which subsequently sold it to unidentified officials of the Ministry of Justice<sup>11</sup>.

According to the National Anti-Corruption Bureau of Ukraine (hereinafter - NABU), which was provided in response to a parliamentary inquiry from Ukrainian MP Oleksiy Movchan, corruption risks were identified during the sale of assets through the SETAM electronic platform in the period 2019-2024<sup>12</sup>.

Thus, officials of the state-owned enterprise "SETAM" violated the deadlines for entering information about assets into the electronic trading system and forming the corresponding lots on the basis of the application received by them, and entered such information at the time and date

<sup>9</sup> Embezzlement of UAH 440 million from the sale of seized property: referred to court | NABU official website. URL: <https://surl.li/ibltfs>

<sup>10</sup> Misappropriation of over UAH 112 million from a bank: eight people exposed | NABU official website. URL <https://surl.li/nvtosc>

<sup>11</sup> The Security Service of Ukraine is investigating possible collusion on SETAM regarding the sale of real estate belonging to the wife of Zelensky's partner from the "League of Laughter." *OUR MONEY*. URL: <https://surl.li/jmqkfk>.

<sup>12</sup> According to information provided by the National Anti-Corruption Bureau of Ukraine in response to a parliamentary inquiry from Ukrainian MP O. Movchan dated 13 December 2024 No. 351д9/7-2024/281920.

most favorable for specific participants in the auction. The lack of automation of the processes of selling property through the SETAM electronic trading system with a clear algorithm of actions for SETAM employees from the moment an application for sale is received until the sale is completed leads to an increase in the human factor and the possibility of making decisions in the interests of predetermined persons.

Abuses in the SETAM electronic system have also been investigated by journalists. In one such investigation, journalists found that during auctions, lots were sold at inflated prices due to technical manipulations: participants' bids were blocked, and the "right" companies became the winners<sup>13</sup>.

Other media reports also mention the underpricing of lots as a result of corrupt agreements<sup>14</sup>. For example, one publication refers to an auction in which an office in the central district of Kyiv was put up for sale for UAH 5.48 million. However, the auctions were canceled five times because SETAM rejected all potential buyers and, in accordance with the law, the starting price was lowered each time. In fact, the demand for the office in the center of Kyiv was huge, as confirmed by the sixth attempt to sell it at a further reduced starting price of UAH 2.74 million in August 2016. Thirteen participants registered for the auction, bidding up to UAH 11 million for the 330-square-meter office, which was in line with the market price of \$1,300 per square meter. However, for unknown reasons, SETAM rejected the final bids of five participants, while two others withdrew themselves, and the office was sold for almost three times less than the auction price – UAH 4.15 million.

The AgroPolit article criticizes the pilot project for selling state land lease rights through the SETAM platform. The authors describe technical failures in the system, cases of farmers' bids being blocked, the involvement of front companies, and "schemes" for agricultural holdings to win at the expense of small participants. It is noted that local budgets are losing funds due to bidding violations, and the risks of corruption under the guise of electronic transparency are mentioned<sup>15</sup>.

In addition, thematic forums contain many reports of how seized assets are obtained by certain participants at prices significantly below market value due to the artificial elimination of other participants<sup>16</sup>.

It is also worth paying attention to the judicial workload of both systems. According to the search and analytical system VERDICTUM, between January 1, 2022, and October 1, 2025, there were 996 court decisions in which the state-owned enterprise SETAM was the defendant. For comparison, there were 23 lawsuits in the PROZORRO.SALE electronic trading system during the same period. It is also worth noting the following.

The Plan for Ukraine Facility (2024-2027) in the section "State Asset Management" stipulates that if the moratorium on the forced sale of state-owned companies' assets is lifted, it will be necessary to update the procedure for the sale of seized property. The key requirement is to ensure the transparent and effective sale of such assets through the state electronic auction system PROZORRO.SALE, which is already used for the sale of bankrupt, state, and municipal property.

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<sup>13</sup> Chornovalov O. State auctions of unprecedented generosity. Who is behind the hacking of "SETAM" (investigation). *Radio Svoboda*. URL: <https://www.radiosvoboda.org/a/28586357.html>

<sup>14</sup> DS editorial office. Five schemes for "carving up" SETAM. How state property is being sold for a song – DSnews.ua. *"Business Capital" in Ukrainian – the latest news from Ukraine and around the world*. URL: <https://surl.li/rwrbrpn>

<sup>15</sup> SETAM land auctions – state land in (un)security? *Agropolit – hot agricultural politics*. URL: <https://surl.li/xuxthh>

<sup>16</sup> News service. Farmers continue to complain about the SETAM platform. *Kurkul – online assistant for farmers*. URL: <https://surl.li/albtbn>

This is in line with the state's strategic goal of increasing competition and creating conditions for the fair participation of buyers in open tenders.

At the same time, the current moratorium on the forced sale of state-owned enterprises' property, introduced back in 2001, effectively blocks the enforcement of court decisions and creates corruption risks associated with the selective application of obligations. Its gradual abolition, provided for in the National Strategy for Solving the Problem of Non-Enforcement of Court Decisions by debtors that are state bodies or state-owned enterprises, institutions, or organizations, for the period until 2025, approved by the Cabinet of Ministers of Ukraine on September 30, 2020, No. 1218, will require the introduction of new legislative regulations.

This approach should unify best state practices for the sale of assets and ensure transparency, prevent manual intervention, enable retrospective audits, and provide equal access to participants, which will reduce corruption risks and guarantee the effective satisfaction of creditors' claims.

### **1.1.3. Consequences of the problem**

1) The low percentage of successful auctions in the SETAM system (~15%) compared to the PROZORRO.SALE ETS (~26.7%) reduces revenues and the level of satisfaction of creditors' claims, assets are sold at lower prices due to limited competition and closed procedures, and the state's financial losses increase.

2) The combination of the roles of administrator and organizer, non-transparent verification of participants, the absence of public registers of contracts, and the short storage period for lots open up opportunities for selective decisions and interference in the timing and parameters of auctions, which creates the possibility of corruption risks and manipulation.

3) Competitive requirements and the practice of selecting an organizer effectively enshrine the immutability of a single entity—the auction organizer, SETAM—which limits market competition and innovation and reduces the incentive to improve service quality.

4) The existing system for the sale of seized property does not comply with Ukraine's international obligations and the recommendations of international partners.

5) High conflict scares away conscientious participants, reduces competition, and worsens the perception of state auctions by businesses and the public, undermining trust.

6) The lack of a comprehensive information security system, limited logging, and failures during crisis events increase the likelihood of technical incidents, data loss/corruption, and trading interruptions (operational and cyber risks).

Therefore, the existing model for the sale of seized property in enforcement proceedings not only fails to comply with the principles of transparency and integrity, but may also create corruption risks that must be taken into account when formulating the legislative framework for the state's anti-corruption policy.

The current Anti-Corruption Strategy for 2021–2025 and the State Anti-Corruption Program for 2023–2025 in the field of state and municipal property management and state regulation of the economy identify problems related to the sale of seized property in enforcement proceedings, in particular, the expected strategic results (hereinafter referred to as ESR) of problem 3.2.2 (2.2.2 in the SAP) are aimed at introducing electronic auctions for access to limited shared resources, while the ESR of problem 3.4.2 (2.4.2 in the SAP) provide for the use of the PROZORRO.SALE for small-scale privatization or leasing of state and municipal property.

At the same time, problems related to the sale of seized property have not been identified.

Therefore, in order to prevent and combat corruption in the sale of seized property in enforcement proceedings, it is necessary to enshrine the relevant provisions in the Anti-Corruption Strategy and Program for 2026-2030.

## 2. Options for solving the problem

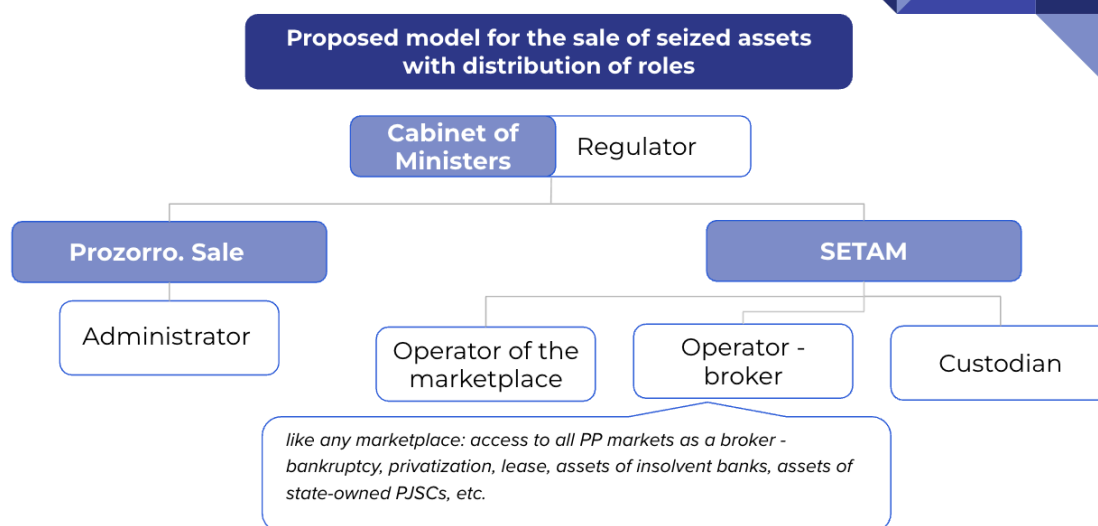
Considering the above issues and recommendations of international institutions, the following options for solving the problem are proposed:

No	Options for solving the problem	Brief description of the option
1	<p><i>Introduction of amendments to the Procedure for the sale of seized property, approved by Order of the Ministry of Justice of Ukraine No. 2933/5 dated 28 August 2020</i></p>	<p>Provides for the implementation of changes approved by Order of the Ministry of Justice of Ukraine No. 2933/5 of August 28, 2020, "On Approval of Changes to the Procedure for the Sale of Seized Property." This act updated the Procedure for the sale of seized property (Order of the Ministry of Justice No. 2831/5 dated September 29, 2016), but due to the fact that certain provisions did not come into force, the order did not actually take effect.</p> <p>The key provisions of the amendments, which, among other things, comply with the recommendations of the Antimonopoly Committee of Ukraine, are as follows:</p> <ul style="list-style-type: none"> <li>to separate the functions of the organizer of electronic auctions, the operator of electronic platforms, and the administrator of the electronic trading system;</li> <li>to appoint the joint-stock company PROZORRO.SALE as the system administrator;</li> <li>to introduce a competitive procedure for selecting the auction organizer with clear criteria for participants;</li> <li>set an upper limit on the remuneration of the organizer and operator</li> </ul> <p>SE "SETAM" will be able to perform the functions of an electronic auction organizer in accordance with the Procedure for the sale of seized property.</p>
2.	<p><i>Transfer of auctions of seized property to ETS PROZORRO.SALE, separation of the functions of the PROZORRO.SALE and SETAM systems, approval of the procedure for the sale of seized property by the CMU.</i></p>	<p>In order to eliminate conflicts of interest, increase the efficiency of the sale of seized property, and develop a competitive environment, it is proposed to designate JSC PROZORRO.SALE</p> <p>1. Transferring the technical administration of electronic auctions for the sale of seized assets to PROZORRO.SALE will ensure:</p> <ul style="list-style-type: none"> <li>- a two-level architecture (the first level is the central database (CDB) where auctions are held, and the second level is independent electronic platforms);</li> <li>- automation of property sale processes from the moment an application for sale is received to the completion of the sale, which will eliminate the risk of distortion of results due to human factors;</li> <li>- technical security of the system (ETS has a CSI certificate, integrated into cloud services (protection against DDoS, blackouts)), recording of all actions of the administrator and users, long-term storage and publication of relevant information;</li> <li>- elimination of the risks of negative price arbitrage;</li> <li>- a generally recognized level of transparency and anti-corruption control, including abroad.</li> </ul> <p>According to a World Bank study, after the introduction of auctions in the PROZORRO.SALE system, average prices on the land market rose by more than 20%. This proves that the use of an electronic trading system</p>

	<p>significantly increases the sale price. A similar effect can be expected if this practice is applied to the sale of seized property in enforcement proceedings.</p> <p>2. Assign the role of state custodian of seized property to the state-owned enterprise SETAM, with expanded powers to other markets, in particular customs confiscated property, ARMA assets, etc. This approach will allow for a clear distinction between the functions of sale and storage, as well as strengthen the financial capacity of the enterprise by expanding its market participation.</p> <p>3. SETAM as an electronic platform operator (broker) after accreditation. After passing accreditation in the ETS "PROZORRO.SALE," SETAM will be able to function as an electronic platform operator (broker) with access to all markets and asset categories (privatization, bankruptcy, state bank assets, lease of state and municipal property, etc.), receiving remuneration that will strengthen its financial capacity.</p> <p>4. SETAM is a single office in the PROZORRO.SALE electronic trading system for contractors (entry point). Provision of services for a fee for entering information about lots into the electronic trading system, working with private and state contractors for a fee to ensure additional financial stability without monopolization.</p> <p>5. Since the regulator of the electronic auction sector is the Ministry of Economy, and JSC "PROZORRO.SALE" is the administrator of the state system of online auctions for the sale of public assets, as determined by the Cabinet of Ministers of Ukraine, in accordance with the law, it is proposed to consider the possibility of transferring the mandate for approving the Procedure for the sale of seized property from the level of the Order of the Ministry of Justice of Ukraine to the level of the Resolution of the Cabinet of Ministers of Ukraine by making appropriate amendments to the Law "On Enforcement Proceedings" No. 1404-VIII of June 2, 2016.</p> <p>It should also be noted that, in accordance with the Law of Ukraine "On the Specifics of Regulating the Activities of Legal Entities of Certain Organizational and Legal Forms During the Transition Period and Associations of Legal Entities" No. 4196-IX dated January 9, 2025, Article 650 of the Civil Code of Ukraine has been supplemented with the following part two:</p> <p>"2. Contracts for the sale, lease (rental) of state and communal property, as well as property of business entities in which more than 50 percent of the shares (stocks) belong to the state, the Autonomous Republic of Crimea, a territorial community, other legal entities in which more than 50 percent of the shares (stocks) belong to the state, the Autonomous Republic of Crimea, or a territorial community, property of legal entities of other organizational and legal forms, the sole participant (founder) of which is the state, the Autonomous Republic of Crimea, or a territorial community, shall be concluded based on the results of electronic auctions (public tenders) in the electronic trading system, taking into account the specifics defined by law. For the purposes of this Code,</p>
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		the term "electronic trading system" is used in the meaning given in the Law of Ukraine "On Privatization of State and Municipal Property," i.e., ETS "PROZORRO.SALE"
3.	"Zero" option	Preservation of the existing mechanism for the sale of seized property.

Fig. 2



## 2.1. Choosing the best way to solve the problem

Resource	Indicative list of questions to be answered	Comments		
		Introduction of changes to the Procedure for the sale of seized property, approved by Order of the Ministry of Justice of Ukraine No. 2933/5 dated 28 August 2020	Transfer of seized property auctions to the Prozorro.Sale electronic trading platform, separation of the functions of the Prozorro.Sale and SETAM systems, approval of the procedure for the sale of seized property by the CMU	"Zero" option
1. Human resources	1. Will the implementation of the decision increase <b>the workload</b> on state bodies, local self-government bodies, and legal entities under public and/or private law?	Yes	Yes	No
	1.1. If <b>so</b> , will it require an increase in the staff of the above entities?	No	No	-

	<p>1.1.1. If <b>so</b>, then:</p> <ul style="list-style-type: none"> <li>- What is the projected need for an increase in staffing?</li> <li>- How should the increase in staffing be formalized (are changes to laws, acts of the Cabinet of Ministers, etc. required)?</li> </ul>	-	-	-
		No	No	No
2. Training	<p>1. Will there be a need for additional training of the personnel of the entities that will implement the decisions?</p>	No	No	No
	<p>1.1. If <b>so</b>, then:</p> <ul style="list-style-type: none"> <li>- What type of training would be appropriate (self-study/professional development, etc.)?</li> <li>- How many people should be covered by the training?</li> <li>- What is the approximate number of training hours?</li> <li>- What is the approximate duration of the training?</li> <li>- Which departments/institutions can provide training programs?</li> <li>- Which departments/institutions can provide training, and what is their capacity for simultaneous training?</li> </ul>	-	-	-
3. Technical resources	<p>1. Will the implementation of the decision require additional technical resources, including the creation of IT products?</p>	Yes	Yes	No
	<p>1.1. If <b>yes</b>, then:</p> <ul style="list-style-type: none"> <li>- What specific technical resources?</li> <li>- Is there a need for additional purchases or orders for work to create such resources?</li> </ul>	updating the technical base of JSC "Prozorro.Sale" with funds from JSC	updating the technical base of JSC "Prozorro.Sale" with funds from JSC	No

<b>4. Time resources</b>	1. How much time is needed to prepare for the implementation and direct introduction of the solution, <u>taking into account the projected needs specified in points 1, 2, and 3 of this table</u> (organizational and staffing changes, selection and/or training of personnel, creation and commissioning of IT products, etc.)?	From 1 year to agreement on positions	from 1 year to agreement on positions	No
<b>5. Financial resources</b>	1. Will the implementation of the decision, <u>taking into account, inter alia, the projected needs specified in points 1, 2, and 3 of this table</u> , require funding from the state or local budgets?	No	No	No
	1.1. Will such funding require <b>additional</b> expenditure?	No	No	No
	1.2. What sources can be used to cover the <b>additional</b> costs?	Funds from Prozorro.Sale JSC	funds of JSC "Prozorro.Sale"	-
	2. What <b>data and resources</b> are needed to perform detailed, accurate, reliable, and balanced financial and economic calculations?	calculation of technical changes from JSC "Prozorro.Sale" and SE "Setam"	calculation of technical changes from JSC "Prozorro.Sale" and SE "Setam"	-

<b>Options for solving the problem</b>	<b>Advantages</b>	<b>Disadvantages</b>
Introduction of amendments to the Procedure for the sale of seized property, approved by Order of the Ministry of Justice of Ukraine No. 2933/5 dated 28 August 2020	<b>In the public sphere (for the state (society), territorial communities)</b>	
	<b>Transparency and anti-corruption</b>	
	JSC "Prozorro.Sale" as the administrator of electronic auctions will ensure the transparency of procedures, openness of data, and storage of information.	Dependence on the technical readiness and cooperation of SETAM, which may limit the full transparency and timely implementation of the updated procedures.
	<b>Competition and market accessibility</b>	
	Formally differentiated roles of organizer/operator/administrator; implementation of AMCU recommendations.	Full market opening depends on the readiness of other operators to connect to the system, which may limit the speed of competition expansion.
	<b>Economic efficiency and effectiveness</b>	
The state will receive greater budget revenues from the sale of the lot and high competition at auction.	Due to the lack of implementation of changes over five years, the implementation of this option may remain declarative, which will keep the economic effect at the previous level.	
<b>Institutional coherence and regulatory accountability</b>		

	Simplified decision-making procedure, promptness of changes.	Regulation is carried out solely by the Ministry of Justice, without regulatory interagency approvals
	<b>In the private sphere (for individual natural or legal persons)</b>	
	Theoretically, greater accountability of the organizer.	At the initial stage of implementation, there may be difficulties in adapting to the new rules of participation.
<i>Transfer of seized property auctions to the Prozorro.Sale electronic trading platform, separation of the functions of the Prozorro.Sale and SETAM systems, approval of the procedure for the sale of seized property by the CMU.</i>	<b>In the public sphere (for the state (society), territorial communities)</b>	
	<b>Transparency and anti-corruption</b>	
	As the administrator of the ETS, Prozorro.Sale ensures the transparency of procedures, openness of data, and storage of information, which is approved at the level of the CMU and controlled by the Ministry of Economy and the Ministry of Justice.	The temporary absence of agreed mechanisms for data exchange between the Ministry of Justice, the Ministry of Economy, and the executive service may create gaps in transparency during the transition period.
	<b>Competition and market accessibility</b>	
	The roles of organizer/operator/administrator are separated; AMCU recommendations have been implemented; the procedure for the sale of assets has been determined at the CMU level	At the initial stage, contractors may prefer the familiar SETAM platform, which may temporarily lead to limited competition between all operators.
	<b>Economic efficiency and effectiveness</b>	
	The effect of the sale of seized assets is higher than under the previous model and provides greater revenue for the state budget.	During the implementation phase, sales volumes may decline as executors and users adapt to the new system and during the transition period between platforms.
	<b>Institutional coherence and regulatory accountability</b>	
	Interagency coordination (coordination with the Ministry of Economy, Ministry of Finance, Ministry of Digital Transformation, etc.) is ensured, which increases the inclusiveness and stability of decisions.	The adoption process may be longer due to the need for coordination between executive bodies.
	<b>In the private sphere (for individuals or legal entities)</b>	
Expanded access to tenders, increased competition and trust in the results and security of participants.	In the initial period of implementation, there may be difficulties in adapting to the new rules of participation.	
<i>"Zero" option</i>	<b>In the public sphere (for the state (society), local communities)</b>	
	<b>Transparency and anti-corruption</b>	
	-	The system remains closed: there is no independent audit, open code, or proper control. The concentration of powers in a single entity creates persistent corruption risks. There is no effective mechanism for appealing decisions.
	<b>Competition and market accessibility</b>	
	For public and private operators, the system will remain unchanged and convenient.	Competition will remain at the same level, and SETAM's monopoly position will not change.
	<b>Economic efficiency and effectiveness</b>	
	Operational inertia: no need to change regulations or spend money on developing technical solutions.	The existing system will not ensure market development or compliance with international recommendations.
	<b>Institutional consistency and accountability of regulation</b>	
	Simplified decision-making procedure, promptness of changes.	Regulation is carried out solely by the Ministry of Justice, without regulatory interagency approvals
	<b>In the private sphere (for individual natural or legal persons)</b>	
No need to change the approach to participation in tenders	Restricting access to tenders for new participants does not promote trust in the system.	

No	Options for solving the problem	Summary forecast based on a comparison of the potential advantages and disadvantages of alternative solutions to the problem	Ranking based on the forecast of the effectiveness of the solution
1	<i>Introduction of amendments to the Procedure for the sale of seized property, approved by Order of the Ministry of Justice of Ukraine No. 2933/5 dated 28 August 2020.</i>	<i>Formally complies with the recommendations of the AMCU, but may remain unimplemented in practice from 2020 due to the lack of political will and desire on the part of SETAM to integrate with the ETS "Prozorro.Sale."</i>	2
2.	<i>Transfer of seized property auctions to the Prozorro.Sale electronic trading system, separation of the functions of the Prozorro.Sale and SETAM systems, approval of the procedure for the sale of seized property by the CMU.</i>	<i>Ensures the real elimination of monopoly, separation of functions, transparency, and efficiency, complies with international recommendations and requirements. Requires legislative changes and integration, but has the highest potential effect.</i>	1
3.	<i>The "zero" option.</i>	<i>Requires no changes, but leaves all corruption risks and low efficiency in place, which directly contradicts anti-corruption commitments.</i>	3

The most optimal solution to the problem is Option 2 – transferring auctions of seized property to the PROZORRO.SALE electronic trading platform, separating the functions of the PROZORRO.SALE and SETAM systems, and approving the procedure for the sale of seized property by the Cabinet of Ministers of Ukraine by making appropriate amendments to the Law. The implementation of this option will ensure both a reduction in corruption risks and an increase in the transparency, efficiency, and competitiveness of the system for the sale of seized property.

These proposals will increase the anti-corruption effect in the management of public assets. The PROZORRO.SALE ETS has a two-level architecture, an open API, code, and system recording of administrators' actions, which makes manual intervention and hidden manipulation impossible. Also, moving auctions to the PROZORRO.SALE ETS will make selling property more efficient. Only 14.9% of auctions on SETAM are successful, while 26.7% of auctions on PROZORRO.SALE are successful. According to preliminary estimates, the transition to PROZORRO.SALE could generate up to 20% more revenue to satisfy creditors' claims due to higher competition, openness, and the two-tier architecture of the transparent auction system.

In 2019, the Cabinet of Ministers of Ukraine, in accordance with the Law of Ukraine "On the Lease of State and Municipal Property," confirmed the mandate for the Ministry of Economy to formulate policy in the area of property sales. At the same time, the Ministry of Justice continues to determine the procedure for conducting auctions, which creates a duplication of powers and contradicts the principles of good governance. Therefore, in order to ensure interagency coordination, the participation of anti-corruption bodies and the public in decision-making, and the integration of integrity and competitiveness requirements into the procedure, it has been proposed to transfer the approval of the Procedure for the sale of seized property to the level of a resolution of the Cabinet of Ministers of Ukraine, upon the submission of the Ministry of Economy and in agreement with the Ministry of Justice.

A clear division of functions will eliminate the monopolization of asset sales: PROZORRO.SALE administers electronic auctions, while SETAM focuses on storing seized property and acts as an electronic platform operator (broker) and single office operator (access point to the PROZORRO.SALE electronic trading system) for all executors. In addition, SETAM, as an electronic platform operator (broker), will gain access to other markets for the sale of public assets.

The Verkhovna Rada of Ukraine is considering a draft law of Ukraine "On Amendments to Certain Laws of Ukraine Regarding Improving the Efficiency of State Property Management, Improving Procedures for Protecting Creditors' Rights, the Mechanism for Selling Seized Property, and Bringing Legal Standards in Ukraine Closer to European Standards" (reg. No. 11139 of 11.11.2024) (as amended by the Verkhovna Rada Committee on Economic Development).

The draft law was developed with the aim of improving the economic potential of public sector entities, gradually lifting the moratorium on the sale of property of economic entities in whose authorized capital the state has a share, and to improve the mechanisms for the sale of seized property through electronic auctions (public tenders) in a two-tier electronic trading system using best legislative practices, taking into account European standards in accordance with the implementation of the Strategy.

Option 2 is consistent with the objectives and provisions of the draft law and will ensure an anti-corruption approach to the procedure for the sale of seized property in enforcement proceedings.

It should also be noted that this option directly corresponds to the provisions of the Plan for Ukraine Facility, which stipulates the need to sell seized property through the ETS "PROZORRO.SALE"<sup>17</sup>, as well as the priorities of the G7 Ambassadors' Group to ensure transparent management and sale of confiscated assets through PROZORRO.SALE<sup>18</sup>. In its discussion note (2019), the EBRD also pointed out problems with the functioning of SETAM<sup>19</sup>, in particular technical failures that blocked access to auctions. A World Bank analysis (2022) confirmed that auctions on SETAM were 21% less efficient than offline auctions due to opacity and technical limitations<sup>20</sup>.

## 2.2. Indicators of the effectiveness of the proposed measures

Indicator	Baseline	Target value in 3 years
Share of successful auctions	14.9	25–30
Total revenue from the sale of seized property	UAH 14.7 billion	UAH 25–30 billion
Average remuneration of SETAM as a broker	UAH 13 million	UAH 25 million

<sup>17</sup> Plan for Ukraine Facility for 2024-2027, p. 122 URL: <https://surl.li/rgkgar>

<sup>18</sup> G7 Ambassadors' Group on Support for Ukraine. Priorities for 2024, p. 9. URL: <https://surl.li/iwgqqb>

<sup>19</sup> Discussion Paper "Building an Effective Debt Enforcement Framework". EBRD Conference. Debt Enforcement in Europe and Beyond The Road to Successful Reform. 6 December 2019, p.26 URL: <https://surl.li/yzpwgv>

<sup>20</sup> Deininger, Klaus W.; Ali, Daniel Ayalew; Neyter, Roman. Impacts of Transparent Online Auctions on Public Land Lease Revenue: Evidence from Legal and Administrative Changes in Ukraine (English). Policy Research working paper; no. WPS 10201 Washington, D.C.: World Bank Group., p.3. URL: <https://surl.li/xoleya>

### **3. Preparation of proposals for the draft Anti-Corruption Strategy for 2026–2030**

**Problem X.X.X. The model for the sale of seized property in enforcement proceedings, which combines the functions of an electronic auction organizer, operator of an electronic trading system, and custodian of property within a single entity and operating under conditions of limited access for other market participants, is ineffective and non-transparent, creating corruption risks, hindering fair competition, and leading to direct financial losses for the state and creditors.**

**Expected strategic results:**

1. Amendments to the legislation on the approval of the procedure for the sale of seized property in enforcement proceedings by the Cabinet of Ministers of Ukraine.
2. An updated, transparent, and competitive procedure for the sale of seized property in enforcement proceedings has been adopted, which divides the functions of selling seized property in enforcement proceedings between entities on the basis of transparency and efficiency and sets out the requirements for a two-tier electronic trading system through which seized property is sold.
3. The sale of seized property in enforcement proceedings is carried out through an updated competitive mechanism of electronic auctions, which ensures an increase in the final sale price of the property.

### **3.1. Preparation of proposals for the draft State Anti-Corruption Program for 2026–2030**

#### **Brief description of the problem:**

The model for the sale of seized property in enforcement proceedings is conflicting in terms of the functional division of powers between state authorities. The current version of the Law of Ukraine "On Enforcement Proceedings," which provides for the approval of the procedure for conducting electronic auctions by the Ministry of Justice of Ukraine, does not take into account the changes laid down in the Law of Ukraine "On the Lease of State and Municipal Property" regarding the designation of the Ministry of Economy as the body responsible for the formation and implementation of state policy in the field of property sales on a competitive basis, in particular through electronic auctions, and also exercises control over its implementation.

In addition, the legislation sets out requirements for the organizer of electronic auctions, under which a single business entity remains the sole actual organizer, which creates risks of monopolization. Regulatory changes that provided for the elimination of non-competitive conditions have not come into force since 2020.

The organizer of electronic auctions simultaneously performs the function of an electronic trading platform operator and property custodian due to the absence of restrictions on their combination in the person of a single entity, which results in a reduction in the competitive role of independent brokers - operators of electronic trading platforms.

Due to the absence of a two-tier architecture and automation of processes and technical recording of administrators' actions, closed software code, non-transparent control over the auction procedure, limited access to information about participants, the absence of a communication mechanism between potential buyers and the auction organizer, there are risks of corruption, competition is restricted, and economic losses are caused by low prices and a low percentage of successful auctions.

**EXPECTED STRATEGIC RESULTS**  
**from the implementation of the State Anti-Corruption Program for 2026–2030**

Expected strategic result	Achievement indicator	Share (in %)	Data source / information manager
State Asset Management			
<p>Problem: The existing model for the sale of seized property in enforcement proceedings, which combines the functions of auction organizer, electronic platform, and electronic trading system administrator within a single entity and operates under conditions of limited access for other market participants, is inefficient and non-transparent, creating corruption risks, hindering fair competition, and leading to direct financial losses for the state and creditors.</p>			
<p>1. Amendments have been made to the legislation regarding the approval of the procedure for the sale of seized property in enforcement proceedings by the Cabinet of Ministers of Ukraine.</p>	<p>1) A law has come into force which:  a) the procedure for the sale of seized property is approved by the Cabinet of Ministers of Ukraine upon the submission of the Ministry of Economy and the approval of the Ministry of Justice (50%);  b) establishes that it is prohibited to combine the functions of administrator and operator of an electronic platform or administrator and organizer of electronic auctions in one person (30%);  c) stipulates that seized property shall be sold at electronic auctions held in an electronic trading system; ETS is used in the meaning given in the Law of Ukraine "On Privatization of State and Municipal Property" (20%);</p>	100%	<p>Official website of the Verkhovna Rada of Ukraine, Government portal</p>
<p>2. An updated, transparent, and competitive procedure for the sale of seized property in enforcement proceedings has been adopted, which divides the functions of selling seized property in enforcement proceedings between entities on the basis of transparency and efficiency and defines the requirements for a two-level electronic trading system through which the sale of seized property is carried out.</p>	<p>1) A resolution of the Cabinet of Ministers of Ukraine approving the procedure for the sale of seized property has come into force, which:  a) it is determined that the electronic trading system must be two-tiered and ensure the technical reliability of trading, the security of its operation, and the accuracy of the information processed and displayed therein (10%);  b) prohibits the combination of the functions of administrator and operator of the electronic platform or administrator and organizer of electronic auctions, fixed-price auctions in one person (10%);  c) requirements for auction participants and the procedure for their admission to participation are specified (5%);  d) it is established that the organizer is entitled to remuneration, which is payment for services related to the organization of the sale of property and includes reimbursement of expenses for measures necessary to prepare for electronic auctions and the sale of property (5%);</p>	60%	<p>Official website of the Verkhovna Rada of Ukraine, Government portal, Ministry of Economy, Ministry of Justice, ETS "PROZORRO.SALE", SE "SETAM".</p>

	<p>d) the conditions for preparing for an electronic auction, the procedure for transferring property for sale and ensuring its storage are specified (10%);</p> <p>f) it is determined that the period of storage of documents, data, and information related to the organization and conduct of electronic auctions shall not be less than the period established by law for the relevant documents, and in the absence of an indication in the legislation, shall be not less than three years from the date of their creation (10%);</p> <p>f) mechanisms for external control over the bidding process are provided for, namely the existence of a Commission – a permanent collegial body for considering complaints (appeals) regarding the conduct of electronic auctions, established under the administrator (10%);</p>		
	<p>2) State Enterprise "SETAM" is designated as the state custodian of seized property.</p>	40	
<p>3. The sale of seized property in enforcement proceedings is carried out through an updated competitive mechanism of electronic auctions, which ensures an increase in the final sale price of the property.</p>	<p>1) Technical reliability, security of the electronic trading system, and accessibility of information are ensured:</p> <p>a) 100% of asset sale agreements are published in a public register (6%);</p> <p>b) availability of open data on auction participants (6%);</p> <p>c) availability of a CSIS (comprehensive information security system) certificate (6%);</p> <p>d) automated processes for the sale of property from the moment an application for sale is received until the sale is completed, which will eliminate the human factor and the possibility of decisions being made in the interests of predetermined individuals (6%);</p> <p>e) availability of a stable API (Application Programming Interface) that ensures standardized interaction of all authorized electronic platforms with the central database (CDB), with full logging and protection from external interference (6%);</p> <p>e) no system interruptions due to technical or security threats through integration with secure cloud services, with a proven level of protection against DDoS attacks, power loss, or access loss (6%);</p> <p>f) no cases of verified interference in the auction process (6%).</p>	42	<p>Ministry of Economy, Ministry of Justice, ETS "PROZORRO.SALE," SE "SETAM."</p>
	<p>2) Improved economic realization of seized property:</p> <p>a) ensuring an average increase of at least 15% in the starting price of the object based on the results of electronic auctions (15%);</p>	30%	

	b) at least 90% of electronic auctions completed without the results being challenged in court (5%); c) the share of complaints considered with a public conclusion is more than 90 percent (10%).		
	3) SETAM is accredited as a platform in the PROZORRO.SALE system.	28%.	

**MEASURES**  
for the implementation of the State Anti-Corruption Program for 2026–2030

Name and content of the measure	Deadlines		Implementers	Financial resources		Performance indicator	Data source
	Start date	Completion date		Sources of funding	Funding amounts, thousand UAH		
State Asset Management							
Problem: The existing model for the sale of seized property in enforcement proceedings, which combines the functions of auction organizer, electronic platform, and electronic trading system administrator within a single entity and operates under conditions of limited access for other market participants, is inefficient and non-transparent, creating corruption risks, hindering fair competition, and leading to direct financial losses for the state and creditors.							
<b>Expected strategic result X.X.X.1.</b> Amendments to the legislation on the approval of the procedure for the sale of seized property in enforcement proceedings by the Cabinet of Ministers of Ukraine.							
1. Development and submission to the Cabinet of Ministers of a draft law on amendments to the Law of Ukraine "On Enforcement Proceedings," which: 1) the procedure for the sale of seized property is approved by the Cabinet of Ministers of Ukraine upon the submission of the Ministry of Economy and with the approval of the Ministry of Justice; 2) establishes that it is prohibited to combine the functions of administrator and operator of an electronic	March 2026	March 2027	Ministry of Economy, Ministry of Justice	State budget	within the limits of the budget allocations for the relevant year	the draft law has been submitted to the Verkhovna Rada of Ukraine	official printed publications, official website of the Verkhovna Rada of Ukraine

<p>platform or administrator and organizer of electronic auctions in one person;</p> <p>3) it is determined that the sale of seized property is carried out at electronic auctions through an auction in an electronic trading system; ETS is used in the meaning given in the Law of Ukraine "On Privatization of State and Municipal Property."</p>							
<p><b>Expected strategic outcome X.X.X.2.</b> An updated, transparent, and competitive procedure for the sale of seized property in enforcement proceedings has been adopted, which delineates the functions of the sale of seized property in enforcement proceedings between entities on the basis of transparency and efficiency and defines the requirements for a two-tier electronic trading system through which the sale of seized property is carried out.</p>							
<p><b>2.1.</b> Development and submission to the Cabinet of Ministers of Ukraine of a draft resolution of the Cabinet of Ministers of Ukraine on the approval of the procedure for the sale of seized property in enforcement proceedings, which:</p> <p>1) stipulates that the electronic trading system must be two-tiered and ensure the technical reliability of trading, the security of its operation, and the accuracy of the information processed and displayed therein;</p>	<p>March 2027</p>	<p>September 2027</p>	<p>Ministry of Economy, Ministry of Justice</p>	<p>State budget</p>	<p>within the limits of the budget allocations for the relevant year</p>	<p>Resolution of the Cabinet of Ministers of Ukraine adopted</p>	<p>official printed publications of the official website of the Verkhovna Rada of Ukraine</p>

<p>2) prohibits the combination of the functions of administrator and operator of the electronic platform or administrator and organizer of electronic auctions, fixed-price auctions in one person;</p> <p>2) sets out the requirements for auction participants and the procedure for their admission to participate;</p> <p>3) it is established that the organizer is entitled to remuneration, which is payment for services related to the organization of the sale of property and includes reimbursement of expenses for measures necessary to prepare for electronic trading and the sale of property;</p> <p>4) the conditions for preparing for an electronic auction, the procedure for transferring property for sale, and ensuring its storage are defined;</p> <p>5) it is determined that the period of storage of documents, data, and information related to the organization and conduct of electronic auctions must be no less than the period established by law for the relevant documents, and in the absence of an indication in the</p>							
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<p>legislation, it must be no less than three years from the date of their creation;</p> <p>6) mechanisms for external control over the bidding process are provided for, namely the existence of a Commission – a permanent collegial body for considering complaints (appeals) regarding the conduct of electronic auctions, established under the administrator;</p>							
<p><b>Expected strategic result X.X.X.3.</b> The sale of seized property in enforcement proceedings is carried out through an updated competitive mechanism of electronic auctions, which ensures an increase in the final sale price of the property.</p>							
<p><b>3.1.</b> Development of a procedure and technical capabilities in the PROZORRO.SALE electronic trading system for the sale of seized property</p>	March 2027	September 2027	JSC "PROZORRO.SALE" (by agreement)	International technical assistance	UAH 6,217,500	Technical specifications adopted and procedure for the sale of seized property implemented in the ETS	ETS PROZORRO.SALE, Ministry of Economy
<p><b>3.2.</b> Accreditation of SETAM as a platform for ETS PROZORRO.SALE.</p>	March 2027	September 2027	JSC "PROZORRO.SALE" (by agreement), SE "SETAM" (by agreement)	International technical assistance	within the limits of international technical assistance funds	Accreditation decision adopted	ETS PROZORRO.SALE, SE SETAM

<p><b>3.3.</b> Preparation and publication of an annual analytical report, which will include:</p> <p>1) research on the performance indicators of the market for the sale of seized property using the PROZORRO.SALE analytical module (revenue, announced value, number of auctions, increase in the starting price, share of successful bids, bids for auctions, etc.);</p> <p>2) research on court decisions regarding appeals against auction results.</p>	September 2027	December 2030	JSC "PROZORRO.SALE" (by agreement)	International technical assistance	within the limits of international technical assistance funds	Annual report on the performance indicators of the market for the sale of seized property published	ETS PROZORRO.SALE
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