

ways to achieve this objective, but the concept should be part of Ukraine's overall, comprehensive civil service reform strategy - and it will be on the basis of this strategy (and not an isolated plan to somehow quickly raise salaries) that the EU will provide financial assistance in support of the overall strategy.

To sum it up: public administration reform must be comprehensive to make sense. It is about reshaping the entire administration and bringing it into the 21st century. It is about modernization, about empowerment and, ultimately, about better serving citizens.

## What EU has done

With intensive technical and political support from the EU, in a long, painful process, the law on the civil service was finally adopted at the end of last year. For the first time, all the basics of a modern administration have a legislative basis. Most importantly, merit-based competitions will mean that to become a public servant, it won't be who you know (or, worse, how much you can pay) but who you are and what you know that is important. We are helping to prepare the regulations and practical steps needed to ensure the law on the civil service enters into force on May 1.

Along with that, for more than a year now, we have been in an intensive dialogue with the government to support the drafting of a comprehensive civil service reform strategy and an implementation plan. We are not trying to invent something new, nor should Ukraine do so. The principles of good public administration exist and are known. Building on them is the only way to keep the reform process on track.

However, progress on that has not been as swift as I would have wished. One of the basic conditions for successful public administration reform is that there is a leading institution, led by a political figure who has the responsibility and capacity to manage the reform, but is also able to generate consensus and, if necessary, impose unpopular decisions. This condition is not yet fully met, but I hope and expect that the appropriate decision will be taken soon.

Another issue is that functional reviews have not yet been carried out in all ministries. Such reviews would identify overlaps and superfluous control layers, establishing whether a government service is even necessary, and if so, whether it is efficient. Some ministries, such as the Economy Ministry, have already made good progress in reviewing and streamlining their processes, producing a much leaner, more efficient organization.

As EU Commission President Jean-Claude Juncker has said: "you keep reforming, we keep supporting." The EU is ready to dedicate significant resources to support the preparation and then roll-out and implementation of civil service reform.

These resources will come as soon as Ukraine adopts a comprehensive, sustainable strategy that fixes all identified shortcomings, and starts implementing it. And as implementation continues, so will our support. The ultimate goal is that, once the EU financial support runs out in a few years, the efficiency gains will mean the reform pays for itself, making it sustainable.

Civil service reform is not easy, and it doesn't happen overnight. However, there are plenty of good examples that show it can be done reasonably quickly and in a way that truly benefits Ukrainian citizens. That is our ultimate common goal.

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## Effects of LLC quorum reduction

### LLC quorum reduction

The Parliament of Ukraine made amendments to the Law of Ukraine "On Business Entities" (the "Law") concerning reduction of quorum of general meeting in limited liability companies (LLCs) from 60% to 50%. Such amendments aim at reducing effects of abuse of rights by minority shareholders, who own the blocking shareholding and use their rights in abusive manner by way of preventing convocation of general meetings and adoption of key resolutions. The amendments became effective on 13 December 2015.

Thus, the shareholder owning 50%+1 vote is independently and solely able to call for general meeting, to hold general meeting and to resolve the majority of issues regarding the company's economic activity. Respectively, the owner of 49% of votes is not capable to influence the general meeting by its absence and to block adoption of decisions at such meeting.

It is worth considering implications of practical implementation of such changes, in particular by way of comparison of the similar mechanisms in joint-stock companies (JSCs) and LLCs.

### Quorum in JSC

For JSCs the similar provision in relation to 50% quorum of general meeting became effective on 27 March 2015. However, changes to the Law "On JSC" (the "JSC Law") and to the Law in relation to reduction of quorum have different effects for *already registered* JSCs and LLCs.

Charters of all JSCs, until complied with requirements of the JSC Law, are applied in part, which does not contradict provisions of the JSC Law. In other words, if the charter of JSC provides for quorum of general meeting of shareholders to be 60% or more votes, such charter, until complied with requirements of the JSC Law, is applied only in part, which does not contradict the JSC Law, i.e. the provision of the JSC Law, which establishes quorum of 50% +1 vote prevails over any provision of the charter.

### Quorum in LLC

The approach is different towards LLCs. Charters of LLCs, until complied with requirements of the Law, are applied in part, which does not contradict the Law, but at the same time the shareholders are entitled to establish other threshold for quorum. Therefore, the Law applies only if otherwise is not specified in the charter. The reduced quorum of 50% +1 vote becomes mandatory exclusively upon amendment of the charter. At the same time, the Law does not specify any consequences or sanctions in the event if no such amendments take place.

It is also worth mentioning that the obligation to make such amendments to the charter is only applicable to those LLC wherein the state has its shareholding.

### Corporate relations scenarios

Thus, the new changes result in the following scenarios for development of corporate relations within LLC:

1. Everything remains as it was prior to such changes;
2. Shareholders of LLC voluntarily reduce quorum required for convocation of general meeting;
3. Upon establishment of new LLC, there is a possibility to lower down influence of minority shareholders, who aggregately own 49% and fewer votes, in order to avoid blocking of general meeting and failure to adopt important decisions by such minority shareholders.

### Alternative approach

In addition, there is an alternative option aimed at protection from abusive actions of minority shareholder, who blocks general meeting. Such option is based on the following notion. The newly adopted changes to the Law introduced new threshold, upon which the general meeting is competent, and, therefore, requires the charters of LLCs to be complied with the new requirements. At the same time, the Law allows the shareholders to deviate from the established threshold, but, however, only upon appropriate specification of such deviation in the charter. This brings us to conclusion that the Law obliges shareholders of LLC to convene general meeting and to specifically resolve whether to update or leave unchanged the number of votes required for quorum of general meeting.



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