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COVID-19 in numbers:

Ukraine

Cases: **276,177**

Deaths: **5,229**

Recovered: **118,699**

Worldwide

Cases: **38,643,780**

Deaths: **1,094,428**

Recovered: **29,019,463**

Reform Watch

Anders Aslund: This is no way to run a railway

By Anders Aslund. Published Sept. 26. Updated Sept. 26 at 9:39 pm



Conductors get ready for a train's departure at the central railway station after train service was resumed as part of stage three of easing COVID-19 quarantine restrictions in Kyiv on June 1, 2020.

Photo by Volodymyr Petrov

Since June 2018, I have served as an independent member of the Supervisory Board of Ukrzaliznytsia, the state railway. I have been grateful for the honor and served to my best ability, but at present, I feel compelled to resign.

First of all, I consider the legal risks I am being exposed to excessive. Although we were promised directors' and officers' liability insurance in our appointment agreement, which is a standard for board membership, we have not received any such insurance from our shareholder, the Ukrainian government.

Second, many of our decisions are not being implemented by Ukrzaliznytsia management. Nor does the government give Ukrzaliznytsia reasonable regulatory or financial conditions to modernize and become efficient (unjustified land tax, tariffs set far under cost level, insistence on massive overstaffing, etc.). These circumstances leave the company in a precarious financial situation.

Third, we members of the Supervisory Board of Ukrzaliznytsia have not been paid anything since April. After five months of salary arrears, I find it unlikely that the current Ukrainian government will pay any supervisory board members any remuneration. It started with President Volodymyr Zelensky's [speech](#) in the Verkhovna Rada, Ukraine's parliament, on March 4:

"There are questions about the salaries and bonuses of many supervisory board members. We understand that there are laws of the market, we do not suggest paying a 'minimum' wage in a populist manner. But, excuse me, when over 10 million people live on the poverty line, there can be no such payments to people who, being members of supervisory boards, arrive in Ukraine two or three times a year. Today, it has actually

become more profitable to 'supervise' than to work in Ukraine. And with all due respect to international partners, with all gratitude for their help, today our citizens in the supervisory boards of our enterprises feel like a national minority."

But he did impose a minimum wage in a populist manner.

At the end of April, the Verkhovna Rada amended the budget law, capping salaries of all public employees as well as members of management and supervisory boards of state-owned companies at 10 times the official minimum salary, or 47,020 hryvnias, or about \$1,700 a month, from April 1 until the end of the quarantine. It was presented as a temporary emergency measure, but it has already lasted for five months and might persist.

Everything was wrong with this legislation. It was retroactive, contradicting elementary rule of law. It violated our employment contracts. It affected thousands of senior people in the public sector, including judges, prosecutors, MPs, managers, and a variety of board members. The vast majority of these people are Ukrainian citizens, and less than 50 are foreigners. Worst of all, it discourages competent and honest people to work for the Ukrainian state and it is an attack on good governance. Servant of the People members of parliament attack foreign members of supervisory boards of state-owned Ukrainian companies for being foreigners and having been paid too much, but we have been paid nothing since April.

In spite of many tours, our salary elimination remains. On Aug. 28, the Constitutional Court decided that judges, prosecutors, MPs, and members of the board of the National Bank of Ukraine would be relieved of the salary cap. The court established that a budget law cannot change another law and the rights and guarantees it offers. Thus, the Constitutional Court judges allowed themselves to be paid again. However, this decision was not retroactive, so they all lost their salaries from April-August. Nor did this verdict apply to state officials or employees not mentioned, such as members of management and supervisory boards of state-owned companies. On Sept. 11, the Cabinet of Ministers issued a decree to cut our non-paid fees by more than half, without informing us in advance. On Sept. 23, Prime Minister Denys Shmyhal stated that he would not respect the verdict of the Constitutional Court. However, Ukraine has a labor market that works. The management boards of the big state-owned enterprises are quickly losing their most talented staff.

The fundamental problem is that the president and his loud MPs don't believe in good corporate governance. We foreign members of the supervisory boards of 13 big state-owned companies and banks have been working hard to try to improve Ukraine's state companies. From the president (the only Ukrainian president that I have never met), we only receive insults and obstacles.

Finally, I want to thank my excellent colleagues at the supervisory board of Ukrzaliznytsia. We have worked hard in almost monthly board meetings usually lasting for three days with plenty of work in between. I just wish that more of our decisions had been implemented. I have also appreciated contacts with members of other supervisory boards of thirteen big state-owned companies.

To conclude, I feel neither wanted by the shareholder nor offered viable working conditions, while the legal liability is mine. This is no way to run a railway.

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