



MINISTRY OF
FINANCE OF
UKRAINE

STRATEGY OF THE MINISTRY OF FINANCE "Self-sufficiency" (Graduate from the IMF)

Draft for discussion

THE MAIN DIRECTIONS

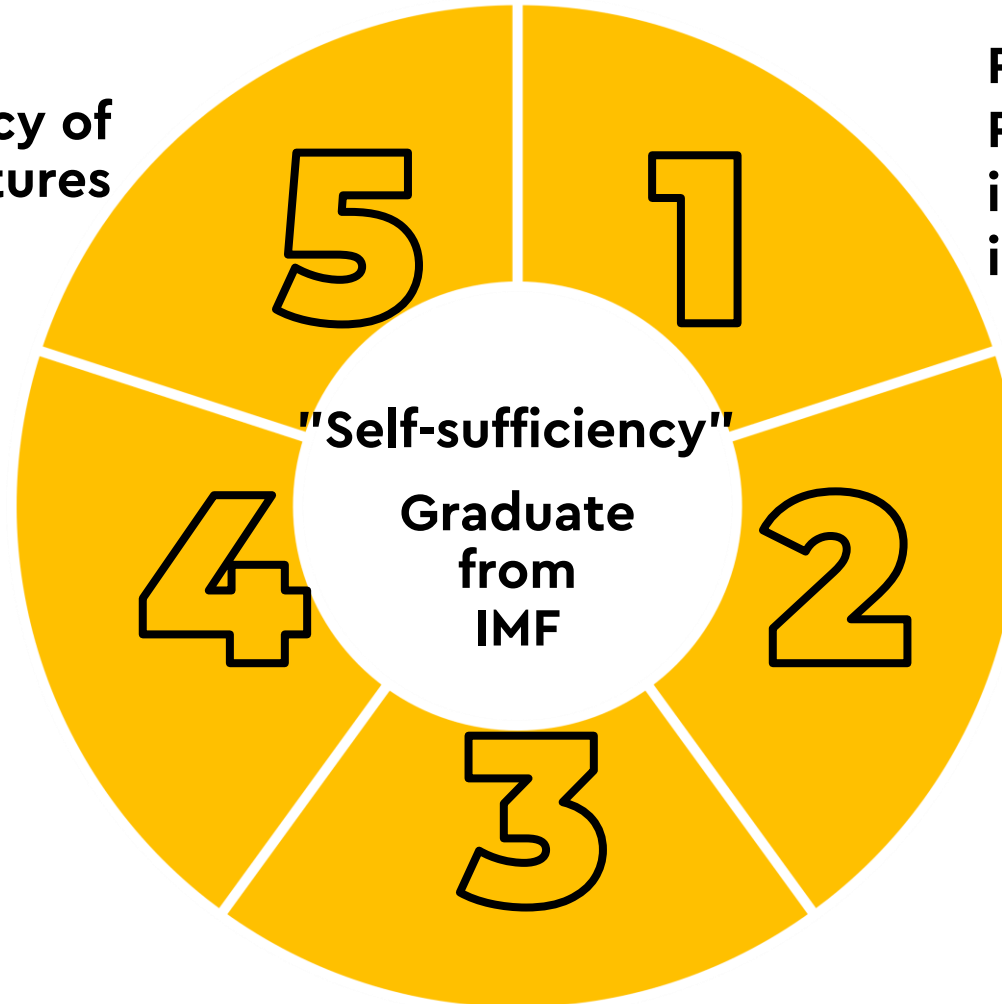


Improving the Efficiency of
Budget Expenditures

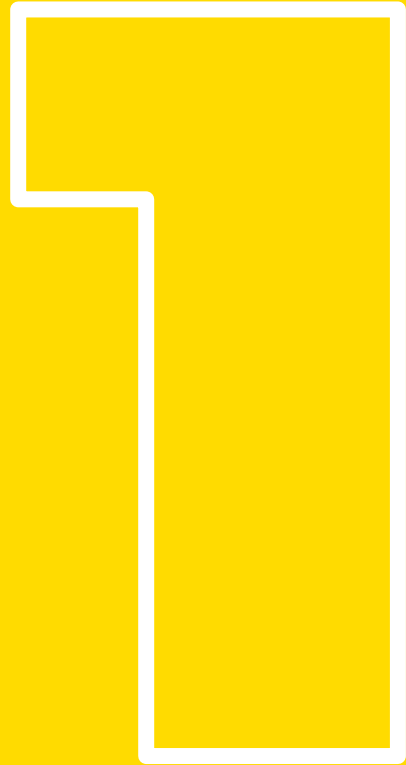
Prudent Financial and Debt
Policies. Improving Ukraine's
image among international
investors

De-shadowing

Tax Incentives for Economic
Development



New Human Resources Policy and Digitalization in
the State Tax Service



**Prudent Financial and
Debt Policies.**

**Improving Ukraine's
image among
international investors**

Measures and Results

2023 year



Successful completion of the existing IMF Program and transition to fully market-based budget financing on attractive terms



up to 55%

Reduction of the debt-to-GDP ratio to 55% by 2023



Reduction of the country's risk as an issuer of securities (reducing the credit spread to 300 bp)



Changing positioning from recipient of resources to donor of experience and technical assistance to developing countries



The establishment of the Ukrainian Agency for International Development



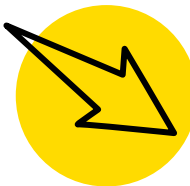
Continuation of active communication with investors

Measures and Results



BBB-

Raising Ukraine's credit rating to the investment grade by 2023



50%

Reduction of the currency risk by increasing the share of the national debt denominated in the national currency (up to 50% in 2023)



≥10 years

The weighted average maturity of public debt in 2023

Measures and Results



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2022 year



Reforming the public banking sector

20%



Implementation of strategies for public sector banks to ensure their activities as stable and profitable institutions: ROE of state-owned banks at 20%



Increasing the size of guaranteed deposits of the individuals from UAH 200 thsd to UAH 800 thsd till 2022

↓ by 2 times



Development and implementation of approaches to solving the problem of non-performing loans (NPLs) in order to reduce the pressure on banks' balance sheets: **halve** the amount of non-performing loans (from UAH 418 billion to UAH 200 billion)



Tax Incentives for Economic Development

Measures and Results



Introduction of a single form of tax reporting on Personal Income Tax and Single Social Contribution tax by 2021



Write-off of fines, penalties and debt that is considered uncollectable, restructuring of the balance of tax debt



Automatic refund of tax overpayments to taxpayers (without taxpayer's application)



Introduction of a compensatory VAT rate on transactions for the supply of intermediate agricultural goods



Tax benefits:

- stimulating the renewal of capital assets by deferring the payment of VAT on imports of production equipment not produced in Ukraine (year 2021)
- exemption from taxation of the share of corporate profits spent on investment



**New Human
Resources Policy
and Digitalization in
the State Tax
Service**

Measures and Results



Launch of the State Tax Service and the State Customs Service as single legal entities from January 1, 2021



Update of the system of transparent competitive selection of employees in the State Tax Service and the State Customs Service with mandatory testing of qualifications and integrity - by 60% renewal of the staff of departments



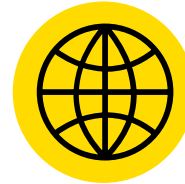
A new procedure for establishing incentive reward payments (salaries at the level of the relevant units of neighboring countries)



Electronic audit of taxpayers: simplify data analysis procedures, significantly reduce the cost of working time for the audit



Establishment of an information technology management committee within the framework of Centralization of IT services, to provide protection against abuse in the institutions of System of Public Finance Management



Electronic excises for alcohol and tobacco products (E-EXCISE)



Cash Registers in a smartphone, commissioning by August 1, 2020

Measures and Results



Accession to the Convention on the Common Transit Procedure and the Use of the NCTS System will enable Ukraine to introduce **the exchange of customs information with 35 countries in real time by 2022**

The implementation of the AEO program in Ukraine will **facilitate the entry of Ukrainian business involved in international supply chains in the EU markets and, potentially, 56 other countries.**



Automatic clearance of exports: a pilot project on the automatic release of exports of goods will allow customs clearance without the participation of customs officers an average of 500 customs declarations per day (until the end of 2020)



De-shadowing

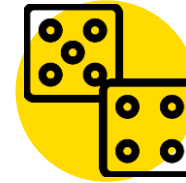
Measures and Results



Introduction of a "zero declaration" in order to further introduce control over the compliance of the amount of expenses incurred with the amount of income received - in 2021



Changing the emphasis in cooperation with law enforcement agencies - the transition from repression to crime prevention: **the creation of the Financial Investigation Service and the elimination of the tax police**



De-shadowing of the gambling business – the adoption of law – This will lead to state budget revenues of up to UAH 4 bn



Elimination of illegal VAT schemes (resumption of monitoring of tax invoices, suspension of registration of risky transactions) - increase in VAT revenues **during the second half of 2020 by UAH 12 billion compared to the first half of 2020**

Measures and Results



Introduction of a new centralized system for identifying risks in customs clearance of goods **by 2021**



Elimination of the shadow market of excisable goods - **introduction of E-EXCISE** - reduction of the shadow market of excisable products, which is from 7 to 10%



Reducing the impact of the "human factor" through the introduction of automated solutions in the implementation of customs clearance of goods **by 2021**



Development and development of checkpoints: expanding the use of IT technologies, automated number readers, video surveillance systems, weighing and scanning

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**Improving the
Efficiency of
Budget
Expenditures**

Measures and Results



Audit of the use of funds of the Road Fund, State Fund of Regional Development, COVID19 Fund, subventions for united territorial communities, procurement monitoring, audit of the State Tax Service, LCA, NJSC Naftogaz, strategic state enterprises - **by the end of 2021**



Cost savings due to the improvement of the mechanism for providing benefits and assistance to citizens by **UAH 1.3 billion by 2022**



Introduction of a mechanism for financing secondary education, which **contributes to the effective operation of the school network - by 2022**



Improving the mechanism of formulaic distribution of state budget expenditures to continue **the transformation of the higher education financing system until 2022**



Single financial policy of the organization is to provide the population with highly specialized medical care. **31 of National Academy of Medical Sciences of Ukraine institutions have been transferred to the new financing system from 2022**



Publication of information on budget expenditure efficiency indicators in secondary and higher education institutions: analytical panels ("dashboards") and data sets - **by the end of 2020**

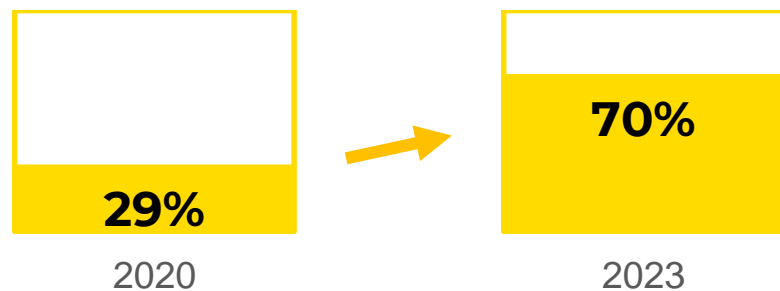


Implementation of a new funding model for priority research. **Increasing the share of grant funding through the National Research Fund in budget funding of science - 2 times by 2022**

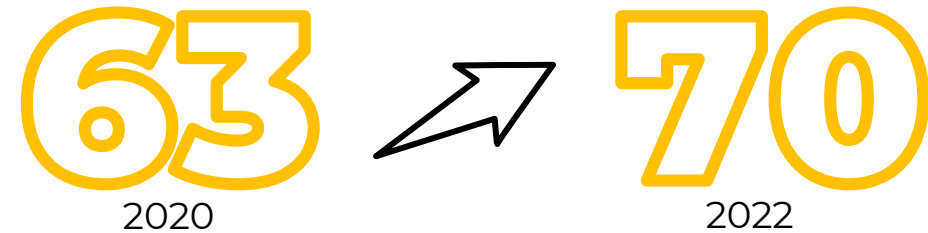
Measures and Results



Number of territorial communities with direct relations with the state budget (100% of created territorial communities will have direct relations with the state budget)



Share of taxable territorial communities



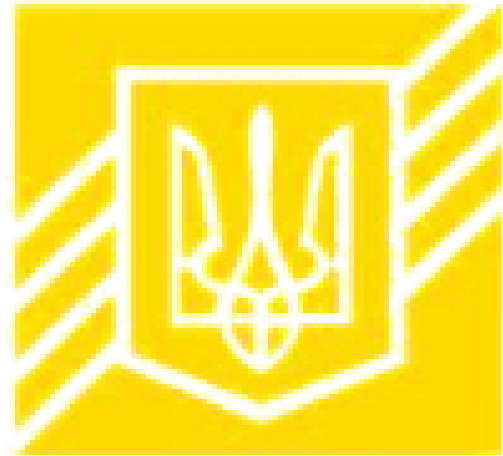
Increasing the value of the Open Budget Index from 63 to 70 points in 2022

≥20%

Increasing the percentage of budget expenditures for which efficiency and appropriateness assessments were conducted (cost reviews) in 2023

≥5%

Ensuring financing of the security and defense sector at the level of at least 5 percent of the projected GDP



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