

**MIN  
FIN**

REFORM  
SUPPORT  
TEAM

# **Reform Support Team Ministry of Finance of Ukraine**

## **Annual Report**

**2019**



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# Introduction

During the last Annual Meetings of the World Bank Group and the International Monetary Fund (October 14-20, 2019), the main discussions were focused on measures for economic growth acceleration. Strengthening institutional capacity was named as one of the main challenges for governments. This again indicated the right timing and the right approach selected by Ukraine's international partners while providing the assistance to the Ukrainian government under the Ukraine Reforms Architecture program, initiative jointly led by the EU and the EBRD

The Ministry of Finance (MoF) over the last several years was a driver of reforms in many areas. And the pioneering Reform Support Team (RST), established in late 2016, became an integral part of the Ministry of Finance team putting joint efforts at the forefront of great changes happening in Ukraine.

You are about to open the third and final annual report on our RST's deliverables within the first phase of the Ukraine Reforms Architecture program.

The RST assists the Ministry in its main goal – the development of a sound and efficient public finance management system. This covers both the broader Public Finance Management Reform and the narrower Tax and Customs Reforms, State-Owned Banks Reform, Corporate Governance Reform in the Energy Sector, Cooperation with International Financial Institutions and others.

Within our scope, we assisted the Ministry with specific challenges, such as enhancing sector-related budget expenditures transparency and efficiency, improvement of the SOE-related fiscal risks management system. The Ministry is creating new efficient and transparent State Tax and State Customs Services and we are glad to be a part of such important reforms aimed at the business climate improvement.

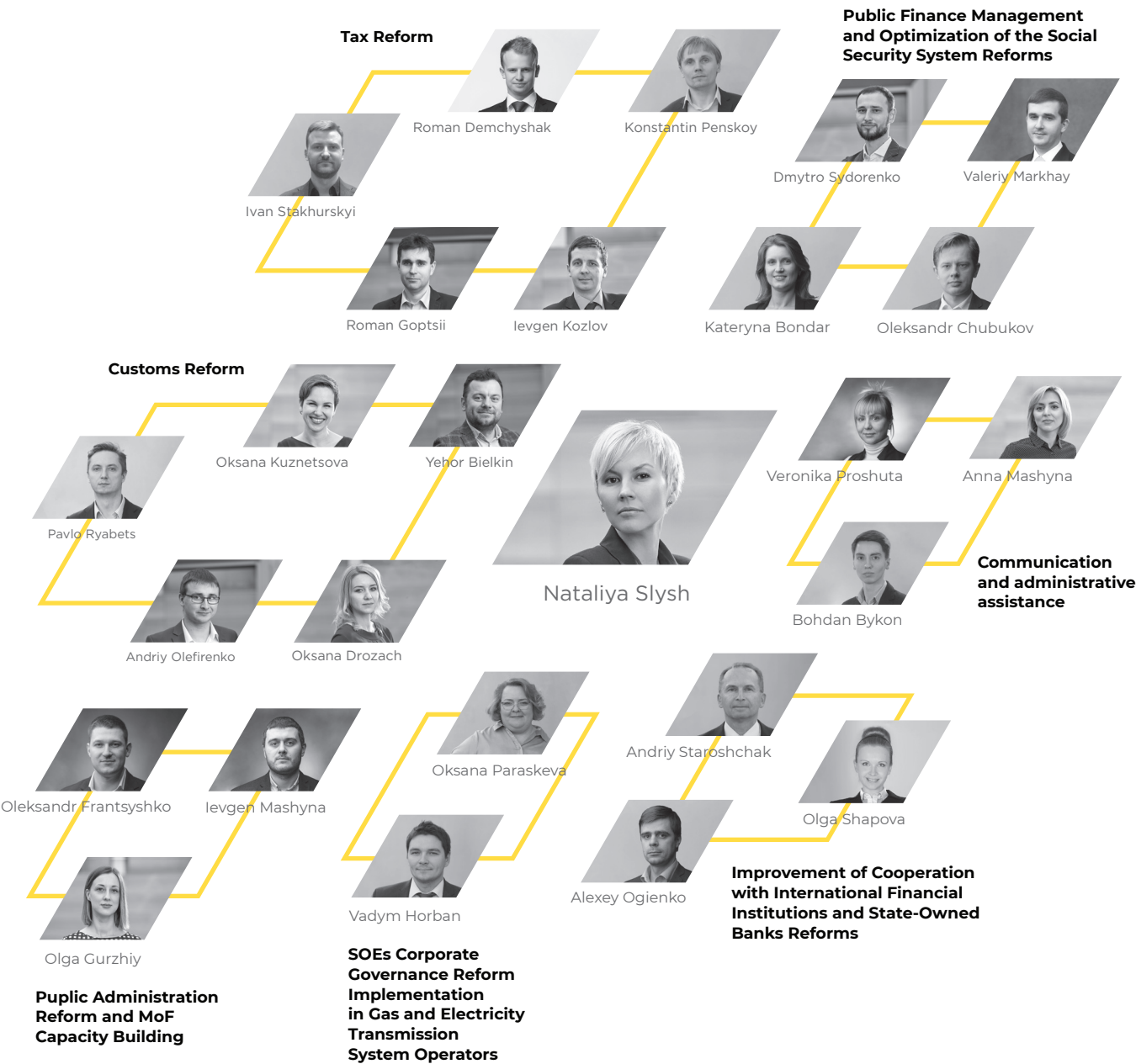
We support the Ministry of Finance not only on the apparent reforms but also on the less visible but still important internal institutional changes. The Public Administration Reform aimed at creating an even stronger and more efficient Ministry.

This is not an exhaustive list of the Ministry's achievements that RST has supported. In the following pages, you will find much more about the Ministry's reforms and our contributions to them in 2019. To enhance the efficiency of our support we have followed the Ministry's Senior Management in their approach and vision of the reforms agenda. We have put together all our efforts, experience and enthusiasm to help the Ministry to achieve its prominent results.

We want to express our sincere gratitude to the Ministry's team and our international partners. Without their efforts, it would not be possible to implement all the considerable reforms that Ministry of Finance led over the last years.

**Reform Support Team  
Project Management Office  
at the Ministry of Finance of Ukraine**

# The RST Organizational Chart







# **Public Administration Reform and MoF Capacity Building**

# HR processes development and improvement

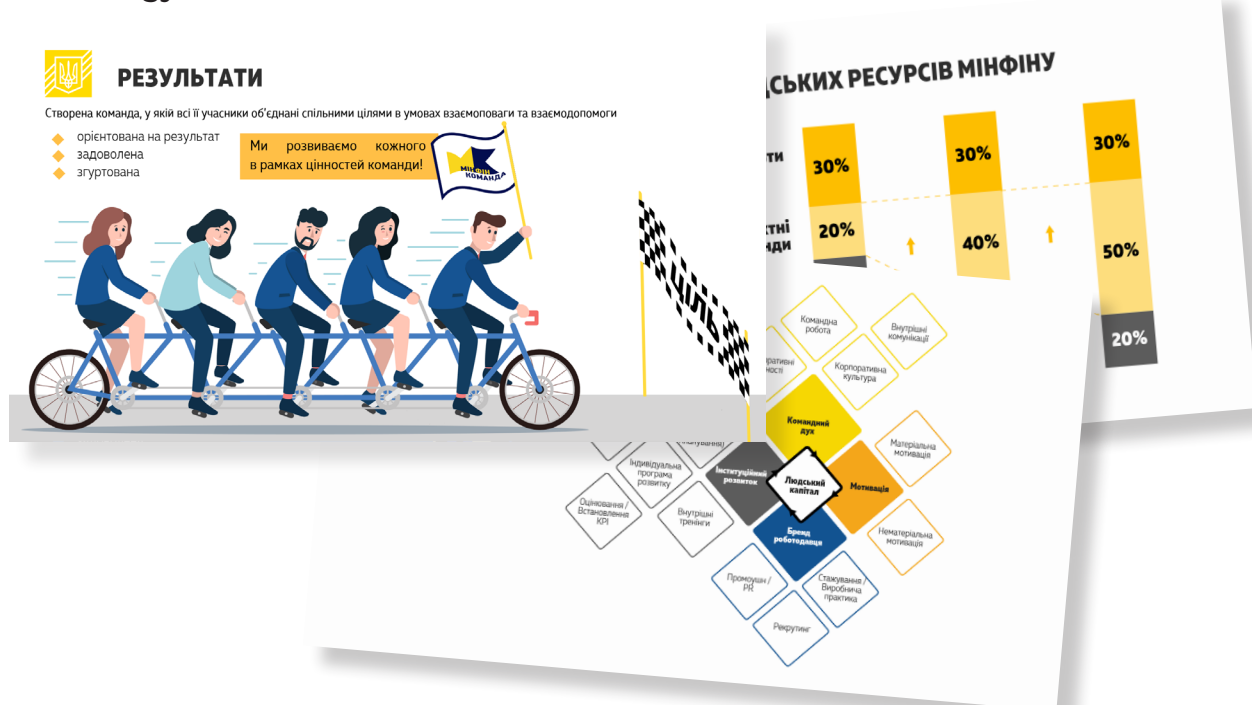
## Impact

**Ensured that all MoF personnel are committed to provide high-quality services by having the right people in the right positions with the coherent skills and abilities, and a true sense of personal value**

## Key activities involved

- Supported the MoF in development of the third annual people survey and Action Plan on its implementation, including a separate sections regarding the organizational values and culture within the MoF
- Provided support to the MoF's structural units during key performance indicators definition for 2019
- Assisted the MoF during the HR Strategy concept development, incl. the following sections: institutional development, motivation, employer brand, team spirit
- Supported the MoF during launching of the internal HR digest on the regular basis

## HR Strategy











# Organizational Capacity Building

## Impact

**Embedded efficient and transparent business processes to enhance the MoF planning and execution framework**

## Key activities involved

-  Assisted the MoF's structural units with preparation of the Operational Plan for 2019 (based on the result-based approach). The Operational Plan for 2019 was approved by the Minister (Order No. 47 on 05.02.2019)
-  Supported the MoF with the preparation of the Transition books and Briefing books on PFM, Tax and Customs Reforms
-  Prepared a new algorithm for providing meetings with business associations and conducted the meetings on Customs issues and Tax issues
-  Supported the MoF during the initial stage of the EU4PFM program in preparation of the activities under Component 4 on the following activities:
  -  Strengthened capacities to design and implement modern Human resources management practices in PFM institutions
  -  Strengthened capacities for the review, adaptation and automation of PFM business processes
  -  Strengthened capacities to review and adapt institutional procedures, structures and practices in PFM institutions
  -  Strengthened capacities to design, coordinate, monitor, update and report on PFM policy documents

## KPIs' Informational System Prototype





# IT Capacity Building

## Impact

**Enhanced capacity of delivering high-quality, reliable, secure IT services, and providing forward-looking comprehensive solutions that will boost the MoF efficiency**

## Key activities involved

Provided project management support during development and implementation of the new MoF's website and intranet portal

Supported the MoF during IT Centralization (Concept of the IT Centralization, defined mission, vision, key problems and tasks, preliminary Action Plan, key responsibilities, provided suggestion on organizational structure and internal processes etc.)

## New MoF's Website

The image displays three overlapping screenshots of the new Ministry of Finance of Ukraine website. The top screenshot shows the homepage with the 'gov.ua' logo, navigation menu, and a section for 'Actual news'. The middle screenshot shows the 'Debt policy' section, featuring a table of 'Most Recent Auctions Results' and a list of 'Auction results'. The bottom screenshot shows the 'VAT Refund' form, which includes fields for tax identification numbers and personal information.

**Most Recent Auctions Results**

ISIN	Amount raised to state budget, thousands	Maturity date	Accepted yield
UA0000000727	\$ 20,254	19/02/2020	13.96%
UA0000000805	\$ 261,790	04/05/2020	14.10%
UA0000000249	\$ 226,400	30/09/2020	13.00%
UA0000000496	\$ 646,536	26/09/2020	13.50%
UA0000000472	\$ 1,144,792	03/08/2022	12.00%
UA0000000255	\$ 3,308,927	24/05/2023	12.38%
UA0000000460	\$ 3,003,192	22/11/2023	11.67%
UA0000000450	\$ 12,875,457	26/02/2025	14.75%
UA0000000461	\$ 18,824	01/02/2021	1.88%
UA0000000576	\$ 25,060	16/12/2021	4.00%

**Outstanding Eurobonds**

ISIN	Amount Outstanding, thousands	Maturity Date	Coupon
X53015244778	\$ 1,000,000	20/04/2026	4.75%
X53019700083	\$ 1,429,262	01/09/2027	7.25%
X5301920224	\$ 383,492	01/09/2022	7.25%

# Tax Reform









# Reform of the State Fiscal Service (establishing State Tax Service)

## Impact

**An institutional, structural and functional renewal of the central executive authority that implements the state tax policy**

## Key activities involved

-  Assisted the MoF with analyses of the benefits and practical implications of the splitting the State Fiscal Service into State Tax Service and State Customs Service
-  Participated in preparation of Conceptual Directions of Tax Reform and Action Plan of its implementation (both later approved by the Cabinet of Ministers)
-  Provided project management support at the Working Group on preparation of internal regulation of the State Tax Service
-  Assisted the MoF with preparation of draft laws required for the transforming the State Tax Service into single legal entity

## General Directions of the Action Plan

- |   |   |   |
|---|---|---|
| <b>I</b><br>Optimization of organizational structure based on the functional approach                     | <b>II</b><br>Redesigning of risk management, tax control and audit procedures                                 | <b>III</b><br>Improvement of the appealing procedures   |
| <b>IV</b><br>Development of information systems and technologies, digitalization of operational processes | <b>V</b><br>Staff development, integrity ensuring and anti-corruption measures                                | <b>VI</b><br>Encouraging voluntary payment of taxes, development of services for taxpayers    |
| <b>VII</b><br>Improvement of tax debt collection efficiency   | <b>VIII</b><br>Counteraction the erosion of the tax base and enhancing the transfer pricing analysis function | <b>IX</b><br>Overall increase of transparency and accountability of the Service as an outcome |

## Tax police transformation into the Bureau of Financial Investigations

### Impact

**Combating financial crimes via implementation of best investigation practices and analytical approaches**

**Improvement of criminal and tax legislation by identifying the factors contributing to the committing of large-scale economic crimes**

**Once established, the Bureau of Financial Investigations should remove the pressure on business and help to improve the business climate and decrease the level of the shadow economy in Ukraine**

### Key activities involved



Provided project management support during the preparation of the new draft law on the Bureau of Financial Investigations. The draft law was submitted to the Parliament on August 30, 2019



The updated draft law on the Bureau of Financial Investigations was prepared with the RST comprehensive support with the aim of incorporating the experts' comments and eliminating inconsistencies was submitted to the Parliament. The draft law No. 1208-2 was adopted by the Parliament in the first reading on October 2, 2019



Participated in the meetings of the Parliament Committee on Finance, Tax and Customs Policy regarding preparation of the draft law No. 1208-2 for the second reading in order to communicate the key MoF's positions on the critical aspects of the Bureau of Financial Investigations establishment and operation. On November 12, 2019, the draft law was further recommended by the Parliament Committee for voting in the second reading

# Implementation of the BEPS recommendations

## Impact

**Minimized opportunities for aggressive tax planning through low-taxed jurisdictions. Adoption of the worldwide accepted principles of prevention of tax avoidance**

## Key activities involved

Took lead at the Working Group in drafting a law on the implementation of the BEPS Action Plan and assisted the MoF with updating of the draft law according to the received recommendation from IMF and other international experts

Actively participated in round tables at the Parliament's Tax Committee regarding discussion and updating of draft legislation on BEPS measures, which was submitted to the Parliament

Participated in the MoF's delegation to the OECD Inclusive Framework meetings on discussion of BEPS Action Plan

Provided support to the MoF in discussion of tax policy matters on international taxation and application of Tax Treaties with different stakeholders

### №1209-1 та 1210-1

#### ІМПЛЕМЕНТАЦІЯ ПЛАНУ ДІЙ BEPS ТА ДЕОФШОРИЗАЦІЯ

МІНІСТЕРСТВО  
ФІНАНСІВ  
УКРАЇНИ



#### МЕТА

- Впровадження плану дій з протидії розширенню податкової бази та виведенню прибутку з-під оподаткування (BEPS) та деофшоризація економіки



#### ОЧІКУВАННЯ

- Підвищення прозорості міжнародних транзакцій суб'єктів господарювання забезпечить додаткові надходження до державного та місцевого бюджетів
- Запровадження міжнародних стандартів податкового контролю сприятиме запобіганню використанню агресивних схем податкового планування та підвищенню іміджевого рівня України у міжнародних відносинах
- Вдосконалення процедури адміністрування податків та зборів і дотримання принципу справедливості оподаткування
- Врегулювання питань, пов'язаних із застосуванням норм Податкового кодексу України, які виникають на практиці при їх застосуванні
- Забезпечення виконання взятих Україною на себе міжнародних зобов'язань



#### ЗАКОНОПРОЕКТАМИ ПРОПОНУЄТЬСЯ

- Імплементация в українське податкове законодавство Плану дій BEPS, що спрямований на боротьбу з агресивним податковим плануванням, зокрема:
  - запровадження звітності в розрізі країн (Country-by-Country reporting), що є міжнародним зобов'язанням України перед OECD
  - запровадження концепції оподаткування контрольованих іноземних компаній
  - посилення правил тонкої капіталізації
  - вдосконалення правил трансфертного ціноутворення
  - запровадження концепції оподаткування прирівняних до дивідендів платежів
  - визначення порядку проведення процедури взаємного узгодження між податковими органами двох країн

# Introduction of innovative software-type cash registers

## Impact

**Simplification of cash registers usage by the introduction of innovative software-type solutions**

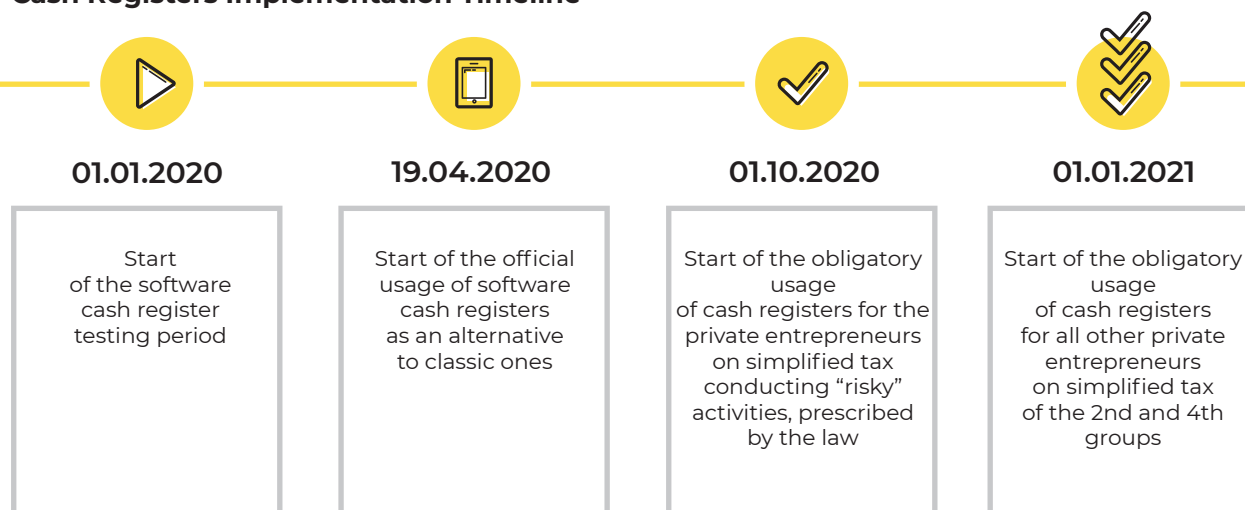
**Enlarging possibilities for providing new digital services for taxpayers and increasing tax authority's capacity in risk-oriented analysis**

## Key activities involved

The RST managers were members of the MoF's working groups on introduction of changes to legislation that provide for possibilities to use innovative software-type solutions for cash registers as an alternative to the classic ones

Assisted the MoF with discussion of the drafts laws № 1053 and № 1073 (later adopted by the Parliament and signed by the President as laws No. 128-IX and No. 129-IX). Provided ongoing support with the development of respective sub-legislation

## Cash Registers Implementation Timeline







## Issuing of tax clarifications on critical inconsistencies in tax legislation

### Impact

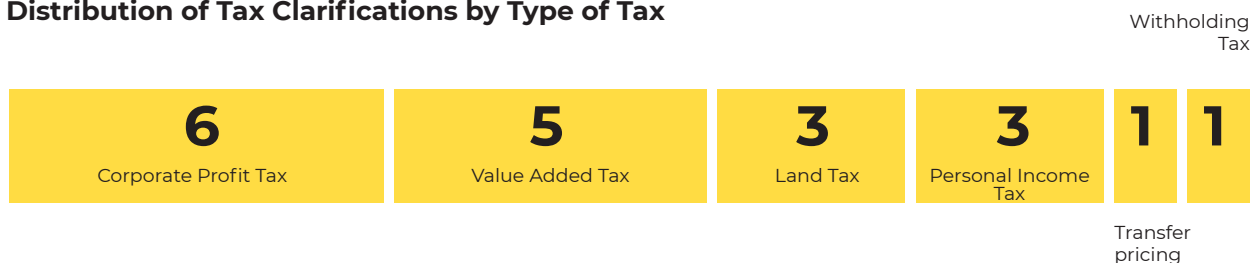
**Adding clarity to practical application of tax legislation**

### Key activities involved

Proactively supported the MoF with preparing of tax clarifications at their further discussion at the Expert Council. Totally, 19 clarifications were issued in 2018-2019. As an example, the tax clarifications issued in 2019 covered the following issues:

-  PIT taxation of reimbursement by a company of employee's own costs spent with business purpose
-  Taxation of obligatory disposal of shares through escrow-account
-  Transfer pricing control of transactions between a non-resident and its permanent establishment in Ukraine
-  On VAT implications of export of soya beans and coleseed or rape-seed outside the customs territory of Ukraine

### Distribution of Tax Clarifications by Type of Tax







# Customs Reform




## Reform of the State Fiscal Service (establishing State Customs Service)


### Impact

**Reorganization of the State Fiscal Service of Ukraine (SFS) and establishment of the State Customs Service of Ukraine (SCS)**

**Improved capacity and efficiency of the State Customs Service of Ukraine**

### Key activities involved

 Supported the MoF during the inter-agency working group meetings on the reorganization of the SFS





 Assisted with development of a draft law on establishment of a single legal entity with the SCS (a draft law dated October 10, 2019 No. 2318 and its alternative draft law of November 11, 2019 No. 2318-1 were adopted by the Verkhovna Rada in the first reading on December 3, 2019). As a result, the SCS and its local customs offices were registered. The SCS's organizational structure, staffing structure and the budget were approved by the MoF. Customs related functions were officially transferred from the SFS to the SCS on December 8, 2019

## Development of the Priority Action Plan on Customs Reform

### Impact

**The modernized priority Action Plan on Customs Reform was developed and approved**

### Key activities involved

-  Assisted in the development of the Action Plan on the Implementation of the Conceptual Directions for Reforming the System of Bodies Implementing the State Customs Policy. The Action Plan was approved by the Resolution of the Cabinet of Ministers on July 5, 2019
-  Supported the MoF with the development of a National Integrated Border Management Strategy (IBM Strategy) and an Action Plan for its implementation. The Cabinet of Ministers approved the IBM Strategy up to 2025 on July 24, 2019 and the Action Plan for its implementation during 2020-2022 on November 20, 2019
-  Assisted in the development of the Action Plan on implementation of the Cabinet of Ministers' Action Programme (in customs related actions)
-  Supported in the development of EU4PFM Work Plan on implementation Description of Actions in Customs. The Work Plan was approved by the Project's Steering Committee on December 13, 2019



## Launching the Authorized Economic Operators (AEO) programme

### Impact

**Increased efficiency of automated control procedures using enhanced electronic data exchange and well-functioning risk analysis system**

**Decreased workload for customs while providing benefits for the AEOs**

**Increased security of international supply chains of goods and transparency of customs-related procedures**

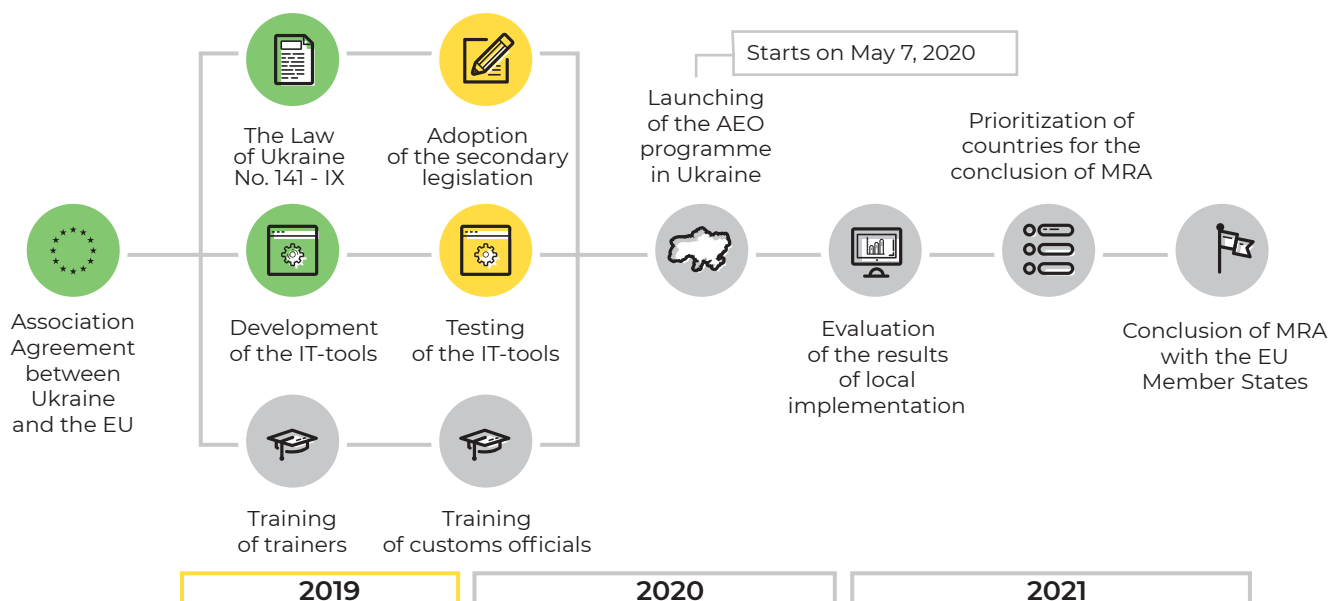
**Promoting compliance as a trend among economic operators**

### Key activities involved

Facilitated the approval of the draft law by the European Commission and the Verkhovna Rada. The Parliament adopted the Law of Ukraine No. 141-IX "On amendments to the Customs Code of Ukraine on Some Issues on Functioning of Authorized Economic Operators" (entered into force on November 7, 2019)

Provided project management support to the process of launching the AEO programme in Ukraine (coordination of actions between the MoF and the SCS, development of by-law acts and relevant IT-tool, planning PR campaign and trainings etc.)

### Launching of the AEO Programme



## **Implementation of the Convention on a Common Transit Procedure's provisions and launching the New Computerized Transit System (NCTS)**

### **Impact**

**Increased efficiency of control procedures for transit goods through the application of the EU practices on conducting customs formalities within transit operations**


**Usage of the standardized IT system (NCTS) with electronic messaging between the involved parties. Improved paperless processing environment for the customs control procedures**

**Selective controls based on risk analysis, enhanced financial guarantee market and better opportunities for Ukrainian guarantors**


**Preparation step for Ukraine's accession to the Convention on a Common Transit Procedure**

**Direct exchange of information between Ukraine and Contracting Parties of the Convention on Common Transit Procedure**

### **Key activities involved**

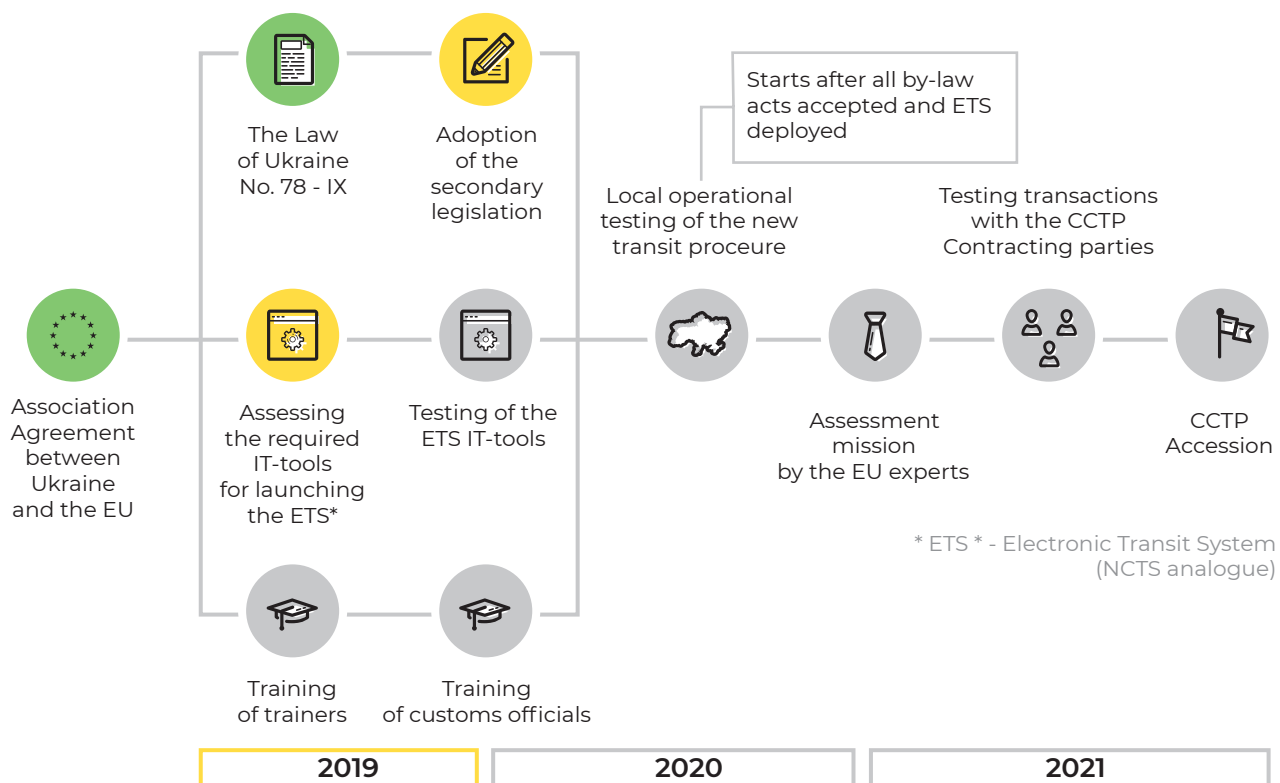


Facilitated the approval of the draft law by the European Commission and the Verkhovna Rada. The Parliament adopted the Law of Ukraine No. 78-IX "On the Integrated Transit Regime and Introduction of the National Electronic Transit System", which will enter into force in 6 months after its signing and publication, on March 25, 2020



Provided project management support to the process of implementing the provisions of the Convention on a Common Transit Procedure and launching the NCTS programme in Ukraine for its local usage (coordination of actions between the MoF and the SCS, development of by-law acts and relevant IT-tool, planning PR campaign and trainings etc.)

### Accession to the CCTP: General timeline



## Harmonization of Ukraine's legislation with the EU laws

### Impact

**Simplification of customs control procedures related to the movement of passengers and goods**

**Application of modern technologies of customs control and procedures for control after the customs clearance**

### Key activities involved

Supported in adoption of provisions on entry summary declaration, automated release of goods, post-release control into the Customs Code of Ukraine

Assisted in arranging international experts' visit to Ukraine to share experience in post-release control procedures. As a result, the concept of reforming of post-release control procedure was developed in cooperation with parliamentarians, the MoF and the SCS, and respective amendments to the Tax Code of Ukraine were submitted to the Verkhovna Rada

# Customs enforcement of intellectual property rights (IPR)

## Impact

**Enhanced the legal basis for the establishment of the best European procedures and practices on customs enforcement of IPR in Ukraine**

**Introduced new IT-tool for submitting of applications on IPR objects to entry in the Customs Register using electronic data-processing techniques**

**Improved on-line communication and information exchange between customs and rightsholders**

**Establishment of an operational expertise center to ensure communication between customs and rightsholders**

## Key activities involved

Supported the MoF in the elaboration of the draft law on customs enforcement of intellectual property rights and its internal approval with other governmental agencies and ministries

Provided project management support regarding revision and approval of the draft law on customs enforcement of intellectual property rights by the Verkhovna Rada. The draft law No. 1230 was approved by the Verkhovna Rada on October 17, 2019, signed by the President of Ukraine. The Law No. 202-IX entered into force on November 14, 2019

## New IPR System Implementation



The Law No. 202-IX



Adoption of by-laws

- Implementation of the EU Regulation No. 608/2013
- Implementation of the EU Regulation No. 1352/2013
- Improvement of the registration of IPR objects and maintaining the Customs Register
- Establishing the procedure for the implementation of measures for the IPR enforcement



Development of a new Customs IPR Register



Testing of the new Customs Register

- New IT tool for submitting of applications on IPR objects to entry in the Customs Register using electronic data-processing techniques
- The new Customs Register should be easy to use and provide on-line interaction and information exchange between customs and rightsholders



New reporting and KPI for Customs



Establishment of an operational expertise center

- Customs reporting and effectiveness evaluation system based on the EU practice
- Incentive system for customs officers for KPI achievement
- Creation of an operational expertise center that will provide prompt communication with customs and rightsholders and provide expert assistance

# Implementation of the Single Treasury Account for customs authorities across Ukraine

## Impact

**Reduced amount of time required for the completion of the relevant customs formalities**

**Businesses are able to transfer the funds of advance payments to one single account and to make the customs payments by using one single account**

**Fully automated payment procedure for the provision of written information on the use of funds submitted by the entity as advance payments to the State Customs Service's account**

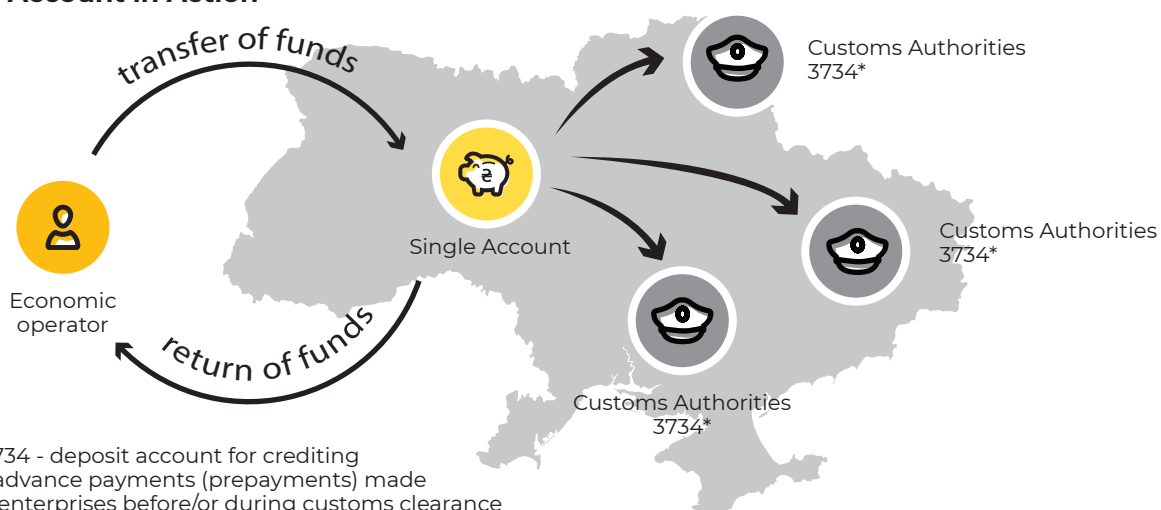
**Enhanced rules of crediting the funds deposited by individuals in the framework of customs clearance, as well as other payments in national currency**

## Key activities involved

Supported in the development of the draft order on introduction of the Single Treasury Account for customs payments

Assisted in the communication of actions aimed at the implementation of the Single Treasury Account for customs payments. As a result, the Single Treasury Account for pre-payment of customs payments for all customs authorities within Ukraine was completely launched starting from April 16, 2019

## Single Account in Action



# Public Finance Management and Optimization of the Social Security System Reforms







## Development of a sound fiscal risk management system

### Impact

**Inclusive fiscal risk management system to increase the reliability of the budget policy, improve the sustainability of the public debt and drive efficient allocation of public resources**

### Key activities involved

-  Provided analytical and project management support to the MoF on energy-sector related fiscal risks (SOEs, state assets, contingent liabilities) and the possible solutions for the minimization of the risks regarding:
-  Performing a detailed assessment of an impact of the new electricity market mechanism (launched on July 1, 2019) on the budget indicators through affecting the sector players' (SOEs and private companies) financial indicators
-  Performing a detailed assessment of contingent liabilities of the energy sector entities from the fiscal risks point of view. The RST assisted the MoF with an assessment of the optimal variants for minimizing the stated fiscal risks
-  Analyzing the existing system of data collection from the Key Spending Units considering the public expenditures on energy resources and utility services. The RST provided recommendations to the MoF on the processes improvement, facilitation and optimization



## New approaches to healthcare, education and science funding

### Impact

**Improved public expenditures efficiency and transparency in the fields of healthcare, education and science, and innovations support**

### Key activities involved

Assisted the MoF with creating public analytical tools (dashboards) on general secondary education and higher education budget expenditures efficiency. The RST provided project management and analytical support regarding the creation of the BI tools:

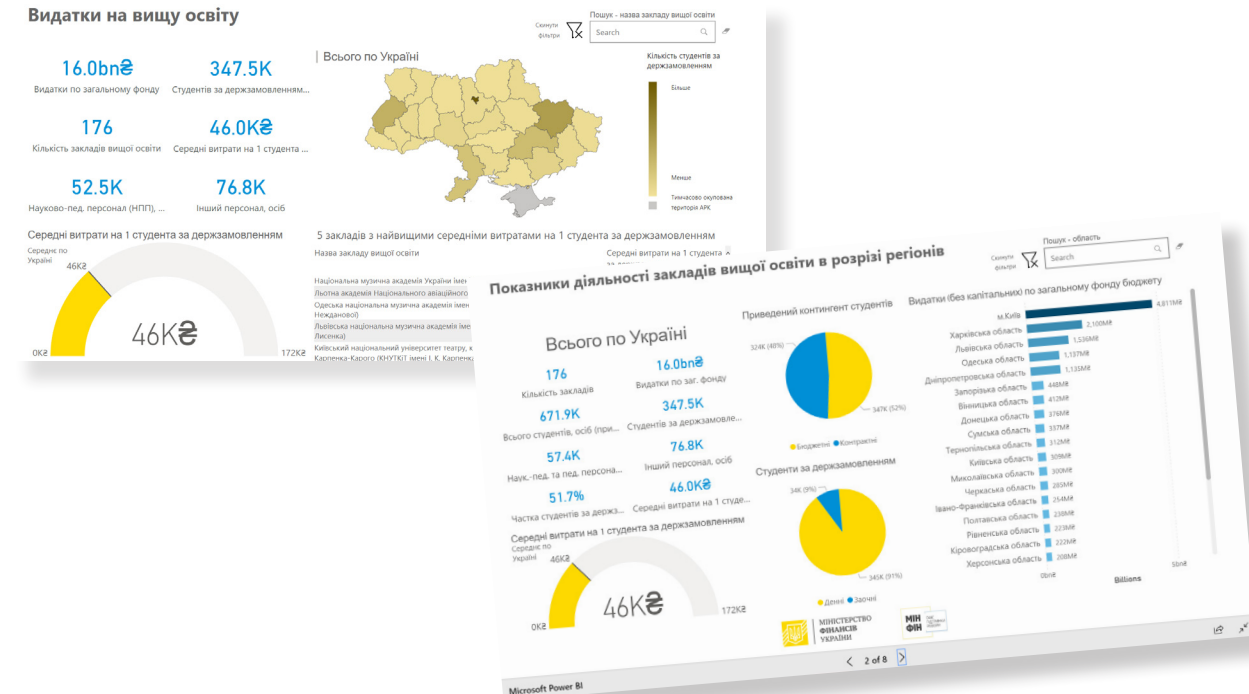
The MoF published the dashboard and dataset on the general secondary education public expenditures efficiency in 2018 on its website in June 2019. The analytics on the general secondary education covers over 14.7 thousand schools of the public sector with over 3.8 million pupils. The total public expenditures for the schools in 2018 reached UAH 82.8 bn (EUR 2.6 bn). The dashboard tool received positive public feedback; several mainstream media issued news on the BI tool publication. The MoF also uses the tool for the internal needs

The MoF published the BI dashboard and dataset on the higher education public expenditures efficiency on its website at the end of November 2019. The tool covers both quantitative and qualitative indicators on the universities that received public funding in 2018. The analytics covers 176 universities and institutes with over 347 thousand (adjusted quantity) students, whose education was publicly funded. The total public expenditures exceeded UAH 16 bn (EUR 0.5 bn)

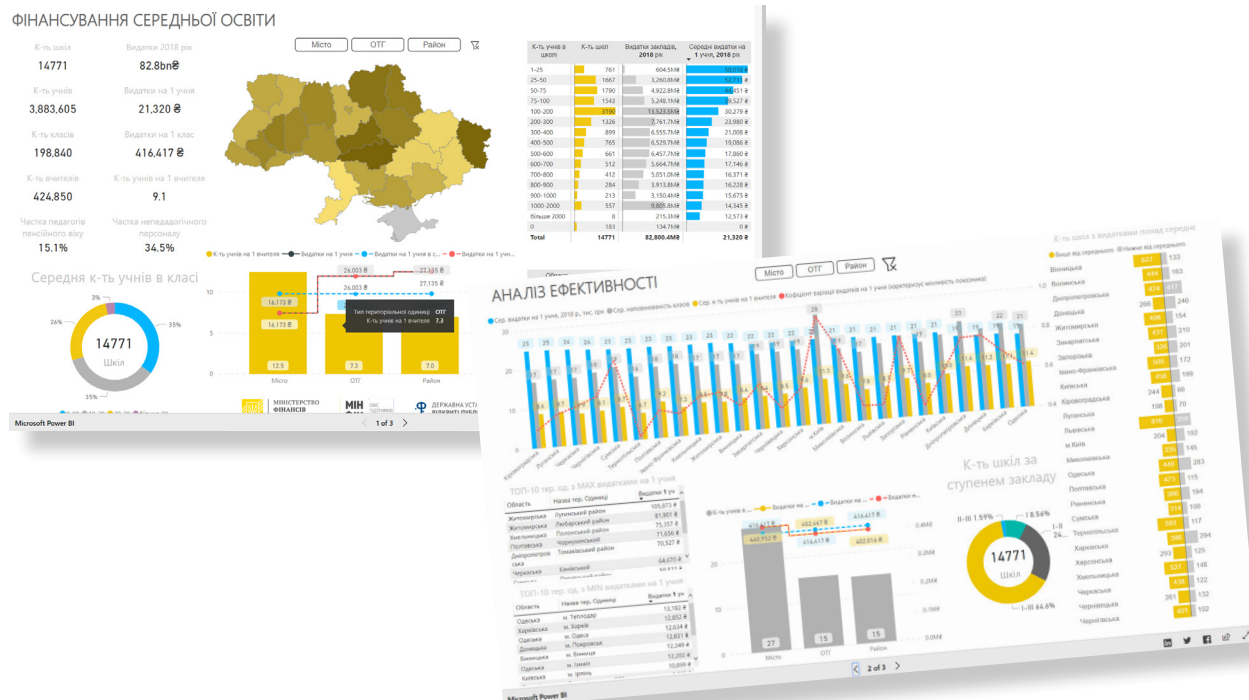
Provided analytical and project management assistance to the MoF regarding implementation of the pilot project with the National Academy of Medical Sciences (NAMS) on introducing new approaches to highly specialized healthcare financing



### Видатки на вищу освіту



## ФІНАНСУВАННЯ СЕРЕДНЬОЇ ОСВІТИ



## Verification of Social Support Recipients

### Impact

**Reduction of fraud in social payments, and more efficient budget spending**

**During 2018 the MoF provided more than 7.5 million recommendations for screening about 2.6 million recipients of social benefits**

**UAH 50 million of improperly allocated state payments were returned to the budget as a result of the verification**

### Key activities involved

Supported the MoF in developing a sophisticated analytical platform that helps to analyze various data on social payments recipients from multiple governmental data-bases. The Verkhovna Rada adopted the draft law No. 1231 on Verification and Monitoring of Social Benefits on December 3, 2019. This law allows the MoF to use personally identifiable information and clearly defines the right and obligations of key stakeholders during the verification process



## Innovations support by the Government

### Impact

**Increase the supply of capital available to Ukrainian micro and small innovative enterprises**

### Key activities involved

Assisted the MoF with developing and drafting the operational manual for the Ukrainian Startup Fund's financial support programme – USF Grant Program

Supported the MoF with preparation of:

- Program description
- Eligibility criteria
- Projects evaluation and financing decision
- Project implementation and monitoring guidelines
- Business plan
- Presentation deck
- Budget and monitoring templates

Assisted the MoF in launching the full-scale operations of the Ukrainian Startup Fund from July 11, 2019, including the development of operational budget and organizational structure:

- The charter capital of the Fund - UAH 390 mln
- The size of a grant for one project – up to UAH 2 mln
- Duration of one project implementation – up to 2 years

### Startup Fund Launch

#### Implementation of the Grant program: main steps



MINISTRY OF  
FINANCE OF  
UKRAINE

USF  
UKRAINIAN  
STARTUP FUND





# **Improvement of Cooperation with International Financial Institutions Reform**







# Improvement of monitoring of projects implementation supported by IFIs

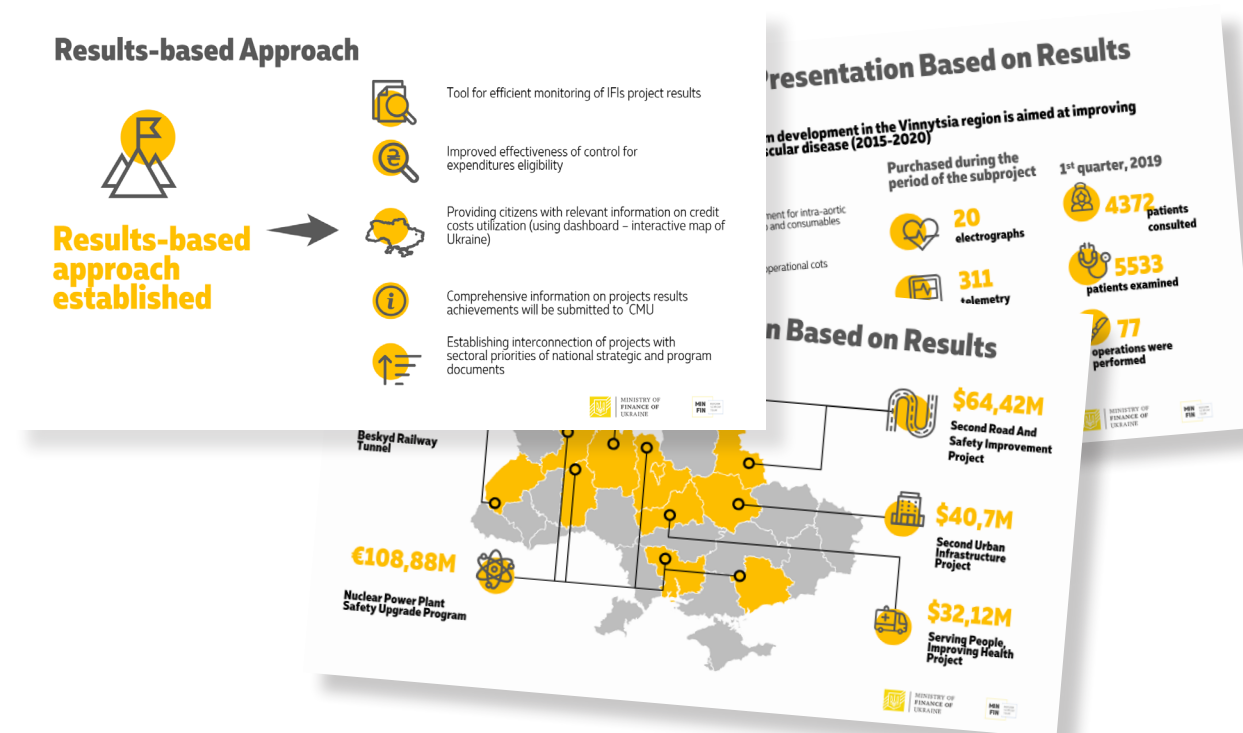
## Impact

**Improved efficiency in monitoring of projects implementation supported by IFIs**

## Key activities involved

-  Assisted with reviewing the process and the methodology of borrowers' financial standing assessment
-  Supported with the development of the new MoF's procedure for conducting expertise of project proposals during initiation of new investment projects
-  Assisted with development of regulatory impact assessment for expertise of project proposals during initiation of new investment projects
-  Supported with development of recommendations on the process of IFIs Projects Results Monitoring based on result-oriented approach and communications on results

## IFIs Projects Results Monitoring Improvement



## Establishment and functioning of the European Neighbourhood Instrument 2014-2020

### Impact

**Enhanced efficiency of expenditure verification procedures**

### Key activities involved



Assisted with development of a regulatory impact assessment for amendments to the procedure for long-listing of independent auditors

## New World Bank Program “Accelerating Private Investment in Agriculture”

### Impact

**USD 200 mln loan agreement was signed on August 27, 2019**

### Key activities involved



Assisted the MoF in negotiations on the World Bank Program “Accelerating Private Investment in Agriculture” which is based on a new instrument – Program for Results (PforR)



Assisted with drafting Project Operational Manual for the Program

## Loan portfolio optimization

### Impact

**Increasing of disbursement level of IFI projects due to proposed comprehensive measures**

### Key activities involved


-  Supported the MoF during different IFIs' portfolio reviews
-  Assisted with development of a new methodology for disbursement level calculation
-  Provided project management assistance with EBRD advisory project "Reform of the Project Financing Approval Cycle for the Public Sector Investment" aimed to make cooperation with the IFIs more efficient through improving legal framework for project selection, evaluation and monitoring

## Launch of the transparent and open web-based IFIs projects register

### Impact

**IFIs projects register ensured the transparency of the procedures and provided prerequisites for independent control by the civil society**

### Key activities involved

-  Participated in making available relevant projects information (project description, amount of an IFI loan, key terms, key legal obligations, repayment schedules, monitoring milestones, etc.) for the purposes of the MoF reporting and monitoring by stakeholders



# State-Owned Banks Reform







## Improvement of the Corporate Governance model in SOBs

### Impact

**Increased transparency, integrity and efficiency of running SOBs**

### Key activities involved





-  Provided project management support in preparation of the detailed roadmap
-  Assisted with developing: procedures, regulations and criteria for SOBs' Supervisory Boards selection, profiles of independent Supervisory Board members; communication with the IFIs, recruitment companies, reform offices and other stakeholders

## Development of secondary legislation on improving the functioning of the financial sector in Ukraine

### Impact

**Increased transparency, integrity and efficiency of running SOBs**

### Key activities involved








-  Assisted the MoF Financial Policy department with the development:
-  The procedure for the competitive selection of the recruitment company, which will then select candidates for independent Supervisory Boards for SoBs, which was adopted by the Cabinet of Ministers on February 13, 2019
-  The procedure for the competitive selection of candidates for positions of independent Supervisory Board members of state-owned banks, which was adopted by the Cabinet of Ministers on March 27, 2019
-  Support documents for the implementation of the law No. 8331 (competitive selection process, assessment matrix for the candidates for independent Supervisory Boards, remuneration approach), which were approved by the Selection Commission

## Support in the selection process and approval of new supervisory board members within the MoF and Cabinet of Ministers

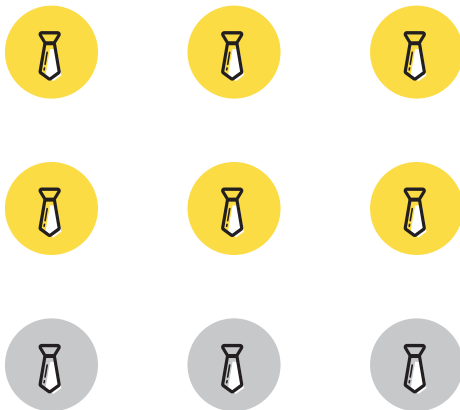
### Impact

**Increased transparency, integrity and efficiency of running SOBs**

### Key activities involved

-  Provided support to the Supervisory Board selection process in coordination with external stakeholders and the MoF's internal divisions and officials:
-  The composition of the Commission for determining candidates for independent Supervisory Board members positions of state-owned banks was determined and approved by the Cabinet of Ministers on March 6, 2019
-  The competitive selection of recruitment company, which would then select candidates for independent Supervisory Board was held, 3 recruitment companies for 3 state-owned banks were selected and approved by the Cabinet of Ministers on March 27, 2019
-  The competitive selection of candidates to SOBs' Supervisory boards was held, regulation documents and evaluation criteria for the competitive selection were developed and approved by the Selection Commission
-  Assisted with the preparation of a remuneration approach for members of Supervisory Boards for each SOBs that was approved by the Selection Commission
-  Supported more than 150 interviews with candidates to SOBs' Supervisory Boards that were held together with Secretariat, Selection Commission and IMF, EBRD, World Bank, IFC, EU
-  New Supervisory boards of Oschadbank, PrivatBank and Ukreximbank were established and adopted by the Cabinet of Ministers on May 22, 2019

## New Supervisory Boards of State-Owned Banks



**6** out of **9**

members of SOBs' Supervisory Board are independent, selected on the competitive selection by an international recruitment company

**3**

representatives of the State  
(Cabinet of Ministers, President, Parliament)

## AS A RESULT

- Improving the quality and speed of decision
- Efficient and effective control and independent audit
- Increasing competitiveness of state-owned banks

## Development and implementation of new cooperation processes between the MoF, as a shareholder representative, and SOBs

### Impact

**Increased transparency, integrity and efficiency of running SOBs**

### Key activities involved

Assisted with preparation of strategic documents and regulations for the cooperation process between the MoF, as a shareholder representative, and the SOBs:

Strategic goals and Action Plan (strategic guidelines) of UkrEximbank for 2020-2024 were developed and adopted by the Cabinet of Ministers

Amendments to statutes of Privatbank, Oschadbank and UkrEximbank according to the changes in Article 7 of the law No. 8331-d were developed and adopted by the Cabinet of Ministers

Regulations (by-laws) on Supervisory Board of Oschadbank, PrivatBank and Ukreximbank, later adopted by the Cabinet of Ministers

## Development of the new NPL resolution tools and the monitoring system to control SOBs performance

### Impact

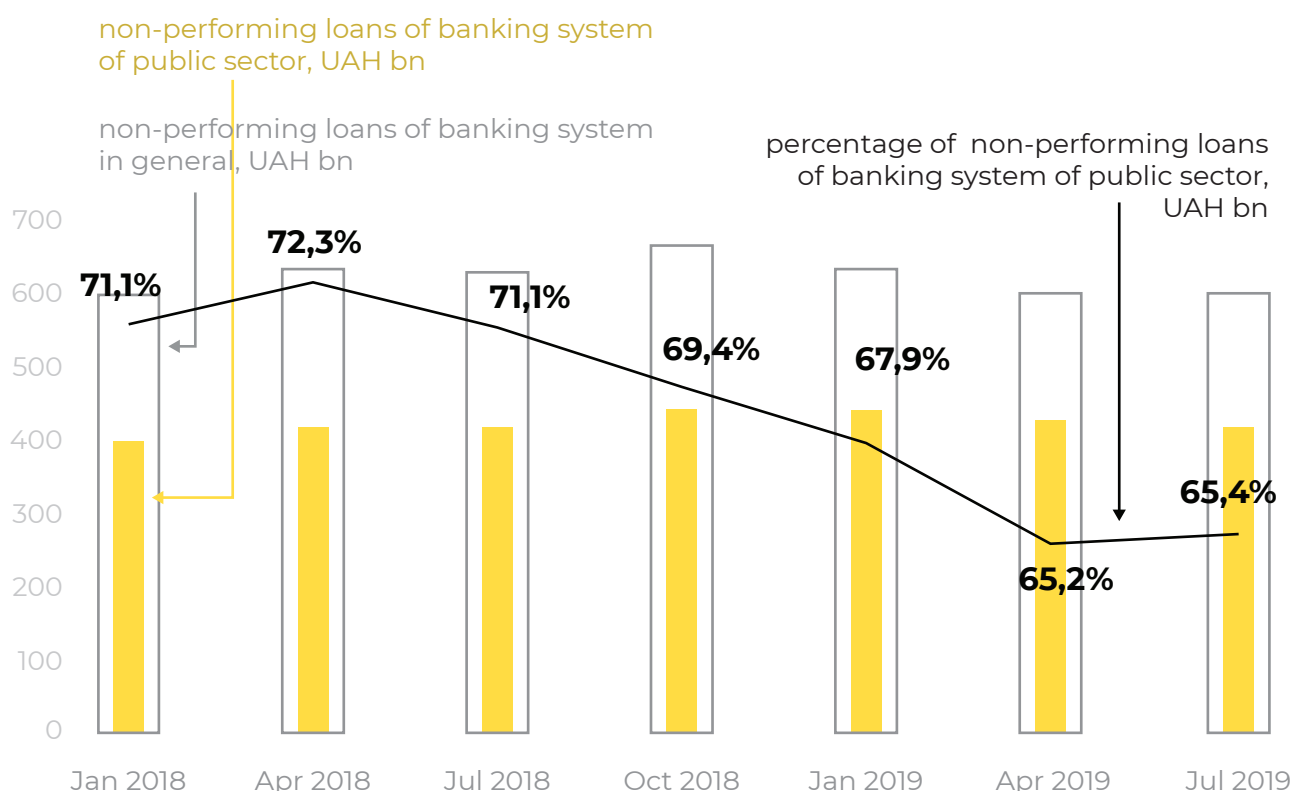
**Increased transparency, integrity and efficiency of running SOBs**

### Key activities involved

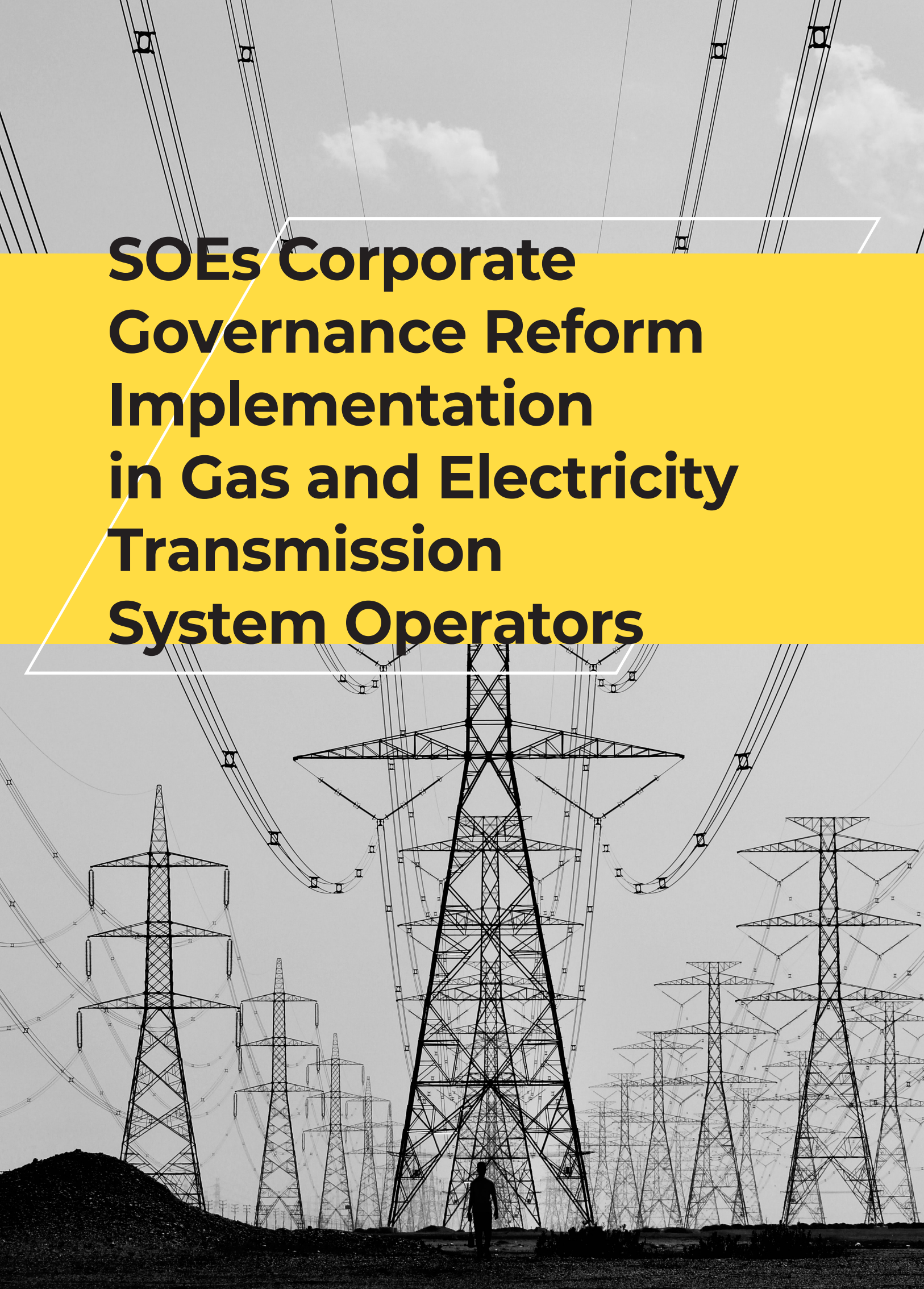
Assisted the MoF with the development of the MoF's regular and detailed reporting through its official website on:

SOBs' key performance indicators  
Implementation status of the "Principles of Strategic Reform of the State Banking Sector"  
Implementation of individual strategies  
NPL portfolio resolution efforts

### The Amount of Non-performing Loans (NPL)











# **SOEs Corporate Governance Reform Implementation in Gas and Electricity Transmission System Operators**

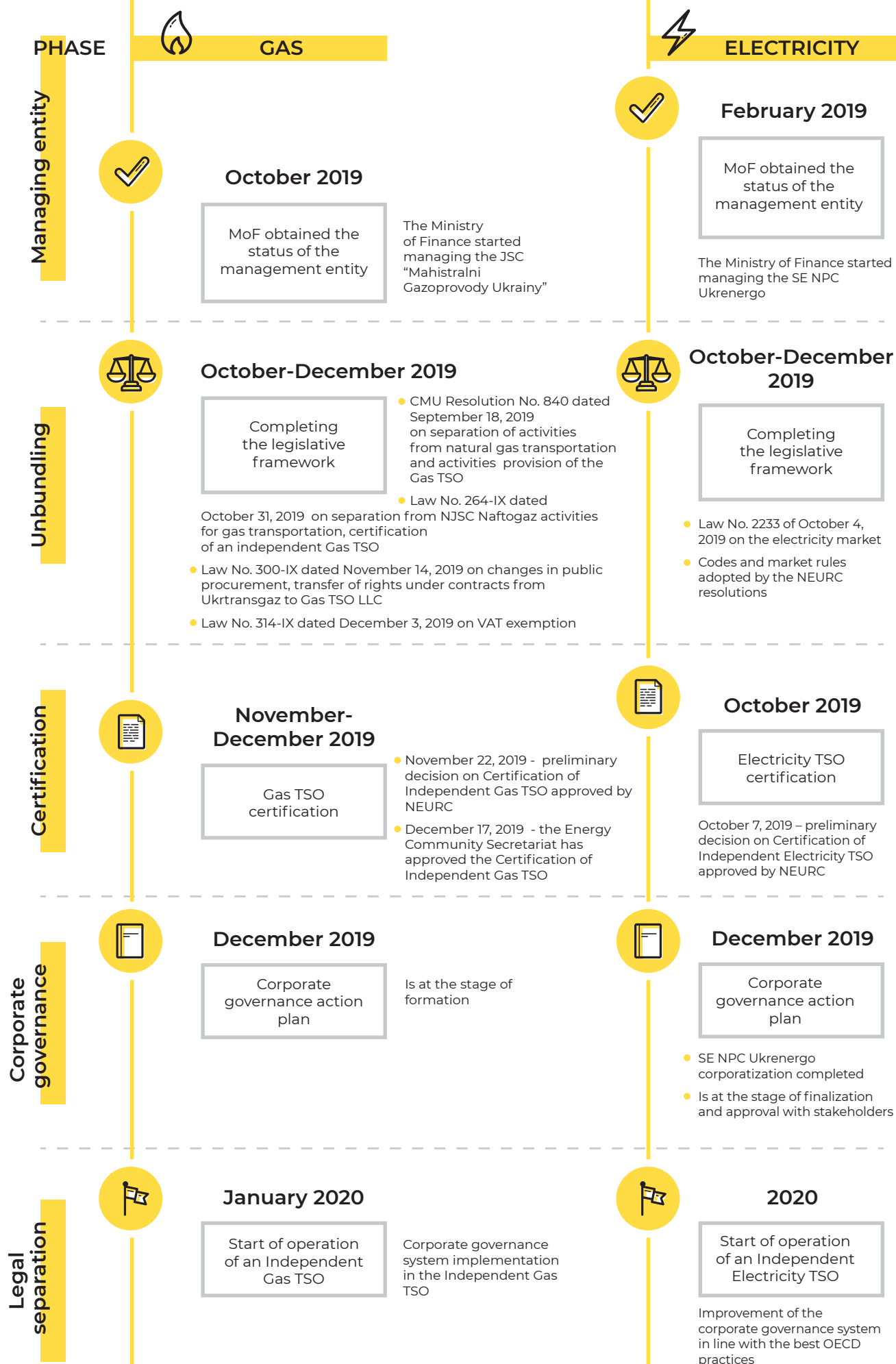
## Introduction of transparent principles of corporate governance at state-owned enterprises of the gas and electricity sector

### Impact

**Effective management in state-owned enterprises in order to ensure state interest as a shareholder**

### Key activities involved

-  Supported the MoF in finishing of the first step of NJSC Naftogaz unbundling process: Transmission System Operators (TSO) ownership transferred to the MoF (the MoF was registered in the register of companies as a managing entity for the JSC “Mahistralni Gazoprovody Ukrainy”)
-  Assisted with development of Compliance program in fulfilling the requirements of Paragraph 2, Article 29 of the Law “On the Natural Gas Market”
-  Supported the MoF with drafting of:
  -  Action Plan and Ownership policy for the JSC “Mahistralni Gazoprovody Ukrainy”
  - Guidelines on Corporate Governance introduction for JSC “Mahistralni Gazoprovody Ukrainy” and NPC Ukrenergo
  - Contracts for the NPC Ukrenergo supervisory board members



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